By Mary Serumaga

A lot has changed since 1960. More than ten African countries gained independence in that year alone, and more than ten more were independent by 1966. It was a time of great expectations. The United States has been through eleven presidents since President Eisenhower first formulated a foreign policy for Africa. The one important constant has been Africa's growing indebtedness and enduring inability to pay the debts.

April 1960, State Department, Washington D.C, USA

On April 7, 1960, a meeting was convened by President Eisenhower's Under Secretary of State, C. Dillon, to discuss American policy in sub-Saharan Africa, with a focus on what they called "assistance" to emerging African nations. What is immediately clear from the memorandum of that conversation is that even then, there was competition to "assist" in the development of Africa.

The American administration had been trying since 1958 to forge links with newly independent African countries as they were born. The difficulty was that all these approaches had to be very subtle so as not to offend the former colonial powers. The British still had trade agreements with former colonies and sought new ones that would secure them continued access to cheap commodities. The French, well, the French had an arrangement whereby they offered their colonies greater autonomy in the form of indigenous legislature in return for military and trade rights.

In line with their new foreign policy, the Americans offered Guinea 150 scholarships. So when Guinea opted for full independence rather than membership in the French *communaute*, she was ostracised by Europe and the Americans were left with the scholarships and no relations with

Guinea. The meeting of April 1960 was convened in part to address this potential source of tension between Europe and America. The meeting's memorandum is self-explanatory:

'Assistant Secretary [of State for African Affairs]Satterthwaite set the scene and outlined the events leading to the present meeting; he said that AF's [State Department Bureau of African Affairs] problem was epitomised by the situation in Guinea, which illustrates the numerous frustrations involved and the dangers of subordinating United States policy to that of the former mother country [….]

'The Secretary of Treasury had urged that the United States seek maximum effort from the European countries to assist their former dependencies. If the European countries did not supply their needs or if the African territories were unwilling to accept aid from the former metropoles [former colonial powers], and if additional aid were needed, Mr Dillon felt all agencies in NSC [National Security Council] were agreed that the US should fill the gap[….]

'Mr Dillon…. urged the NSC, in its concentration on language, not to overlook the great political importance of the African area and the vital challenge from the Soviet bloc countries."

It was only after President Kennedy signed the National Security Action No. 16 in 1961 that the National Security Council policy was altered *"to provide **flexibility** (emphasis added) for the United States to supplement Western European support for newly-independent areas whenever such actions is (SIC) in the United States' interest."* From that point on, officials were no longer required to tiptoe around British and European officials before intervening on the African continent.

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Dillon had raised a problem in another area though: The perceived threat from the Soviet bloc. In 1960, as they do today, the Chinese presented a threat to American interests in Africa. Sekou Touré, the president of Guinea, had turned to the Eastern Bloc for development cooperation. Then as now, the Chinese gained the upper hand over the West by imposing no conditionalities on cooperation.

Satterthwaite had noted this in his opening remarks:

"[Satterthwaite] stressed the need to simplify our aid procedures, and noted the extreme difficulty in obtaining African countrie' concurrence to ICA [International Cooperation Administration] umbrella agreements when 'the Chinese ask for no privileges for their people'. This was one reason for the long delays in trying to carry out our modest offer of 150 scholarships to Guinea.'

"Assistance", a code word for access to cheap commodities

The main item on the agenda was not really assistance; it was, and still is, commodities.

"Mr Dillon mentioned that ICA had set up a special group to work out a coordinated programme for Africa, including the question of stationing ICA officers in consular posts in Africa. He indicated his readiness to agree after the problem had been thought out.

Mr Dillon mentioned Recommendation 7 in Mr. Satterthwaite's memorandum of March 30, 'Means of assuring friendly single community [commodity] countries a ready market for their exports at reasonable and stable prices'. While not minimizing the difficulties, he thought we should look into *this to see what could be done; he mentioned coffee as an example."*

By 1973, Richard Nixon's Administration was ready to spell it out. A memorandum from the Executive Secretary of the Department of State (Eliot) to the President's Assistant for National Security Affairs (Kissinger) dated July 19, 1973 reads thus:

"There is insufficient awareness in the United States of the importance to us of Africa's natural resources. Africa has significant quantities of the world's reserves of phosphate rock, copper, cobalt, and other minerals. Africa's iron ore reserves are twice those of the United States and two-thirds those of the USSR. Libya and Nigeria are among the top oil producing countries of the world. Algeria produces great quantities of natural gas. Access to these resources is important to the United States and to other friendly powers. With the spread of industrialization, these resources will become increasingly critical."

Back in 1960, the ways and means of securing access to Africa's natural resources were still being explored. It appears from the April 7 discussion that one approach was to tie Africa to the USA by means of indebtedness. A number of memoranda of the period mention the Development Loan Fund (DLF). This American state-owned bank was not at that time as active as the administration wished and was often ruefully discussed as a potential engine for acquiring leverage in Africa.

> A feasibility study by the World Bank might have shown that two parallel projects were not required, but only if the objective of borrowing and lending is development. If, on the other hand, the objective is merely to deepen indebtedness, the $10 million loan makes perfect sense.

Tanzania (then Tanganyika) presented an opportunity. A highway was being built in that country with local resources. At the April meeting, it was suggested, in the absence of a request from Tanganyika (none was referred to) and without evidence of a feasibility study or any other pre-loan procedures having taken place, that Tanganyika should meet only local costs from their own resources and borrow the rest from the American Development Loan Fund:

"For example, it had been found that Tanganyika was covering both foreign and local currency costs of a highway. It was believed that the DLF could handle foreign currency costs on the two sections of the highway and that Tanganyika could cover local currency expenses on both sections."

Later on,

"Mr Dillon agreed with Recommendation 10 of Mr Satterthwaite's paper, that we should encourage the African countries to become members of the IMF, IBRD, and IDA."

February 2017, Ministry of Finance, Kampala, Uganda

The memorandum of April 7, 1960, came to mind recently when Uganda was reported in the local media as having accepted an unnecessary loan from the World Bank. It was for the purpose of assisting with the development of a One Stop Shop as a vehicle for promoting foreign direct and other investment. Because potential investors have often cited complicated procedures for setting up a business as a barrier to investment, the Uganda Investment Authority came up with the idea of a web-based centre where an investor could carry out all the procedures online and under one roof, so to speak. They called it a One Stop Centre.

A sum of Ush1.6 billion (US$457,142), which was on hand, was reportedly set aside for the purpose and the Uganda Investment Authority commissioned a foreign expert to do the work. As it neared completion, (the Secretary to the Treasury is quoted as having said the work was 80% done), a World Bank loan materialised for the development of a One Stop *Shop* under a separate project run by the Ministry of Finance: The Competitiveness Enterprise Development Project (CEDP) slated to run from 2013 to 2019 had US$100 million (Ush359.9 billion) allocated to it, with the One Stop Shop component costing $10 million (Ush36 billion).

According to media reports, which the World Bank declined to confirm or deny when contacted, when the time came to account for the loan, the Ministry of Finance sought to present the Investment Authority's project as evidence of their having implemented the One Stop Shop. This meant transferring the original facility, the UIA's One Stop *Centre* project to the Ministry of Finance. By all accounts, the ensuing scenes were not pretty. The head of state is said to have stepped in, rejected the new project and insisted that the UIA Centre go ahead to completion using local resources.

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A feasibility study by the World Bank might have shown that two parallel projects were not required, but it would only have influenced their decision if the objective of borrowing and lending is development. If, on the other hand, the objective is merely to deepen indebtedness, the US$10 million loan makes perfect sense.

The World Bank Country Assistance Strategy for Uganda

A look at the overall World Bank Country Assistance Strategy (CAS) for 2011 – 2015 throws some light on the seeming absurdity of the CEDP/Uganda Investment Authority saga. Its overall objective (similar to the earlier CAS in the area of service delivery) was *"to create an enabling environment for private sector-led growth by improving the business environment, strengthening physical infrastructure and human capital and raising the functioning of public sector institutions and their capacity for service delivery."*

The CEDP was evaluated by the Independent Evaluation Group of the World Bank in 2016. As with so many economic recovery and development projects in Uganda, the project was found to have been hampered by poor governance. The Completion Learning Report (CLR) states,*"…the major challenge lay in the area of governance, with the extent of progress in reducing patronage and corruption being unclear."*

Measures were put in place to mitigate this known risk and protect the investment in the form of regular reviews of government progress in addressing governance issues. However, to quote the report, *"the CLR does not provide any information on how regularly these reviews were undertaken and what impact they had on mitigating risks to the Bank's programme."*

The project evaluation ratings should therefore come as no surprise:

- Progress in Focus Area IV: Improve Good Governance and Value for Money is rated: Moderately Unsatisfactory.
- Objective 11: Increased transparency and efficiency of public financial management and public procurement at national and local level: Partially Achieved.
- Objective 12: Strengthened public sector management and accountability at national and local

level: Mostly Achieved.

One might want to argue with the ratings for project objectives 11 and 12. No framework for assessing improvement in these areas was provided, and on close examination, the ratings look to be pure fiction.

Any casual observer of Ugandan public affairs will have formed the impression that losses of public funds through corruption and procurement fraud have grown in frequency and magnitude since 1992. There is ample evidence in the latest report from the Office of the Auditor General (2015/2016) that it is still a major problem.

> African countries have two options: to continue to implement development strategies that began in the early 1960s and before, and which have yet to meet the basic needs of their citizens, such as electricity and piped water in all homes by halting the haemorrhage of funds through the servicing of non-performing loans.

The Auditor General lists serious audit concerns that have been recurring in the area of financial management and procurement since at least 1992 when the Economic and Financial Management Programme (EFMP) was launched, at great expense, to increase transparency, efficiency and accountability in the public sector. Irregularities included payroll fraud, pension payments unsupported by documentation, procurement irregularities, lack of accountability in the use of public funds, and so on.

EFMP was followed by the equally costly EFMP Phase II that revisited the same objectives. After that capacity building programmes, again with financial management components, have been carried out in the agriculture and health sectors, while local government capacity building has also been funded by loans. In spite of all the above, public financial management, procurement capacity and quality of service delivery have deteriorated while the number of local authorities has grown from 27 to over 200.

In the last financial year, a number of local authorities were unable to utilise a combined total of Ush94.78 billion (US$26.4 million) in Capacity Building Infrastructure Development funds transferred to them from the central government owing to a lack of expertise in procuring specialised equipment and services for surveying, engineering and environmental works. US$26 million is 17 per cent of the Uganda Support to Municipal Infrastructure Development Programme's capacity-building loan of $150 million. It is clear that the country is choking on loans while thirsting for basic services.

Elsewhere in the CLR, the World Bank itself notes that eight out of the twelve objectives of their Country Assistance Strategy were either only partially achieved or not achieved at all. The overall Development Outcome of the strategy is rated as "Moderately Unsatisfactory." Curiously, the Bank's performance is rated "Fair", with only four out of twelve development objectives met. When is a project considered a failure?

The Bank's overall assessment is more credible in its conclusion that *"weak compliance with safeguards affected project implementation and the delivery of results.* A reason cited is *"weak oversight on the part of the Bank."*

The way forward

The US State Department's agreed objective in 1960, which was to encourage African countries to borrow from the International Monetary Fund and the World Bank, and the Tanganyika example, in which a loan was agreed even without it being requested or given any formal appraisal, taken together with very poor implementation of the World Bank's Assistance Strategy for Uganda, point to the conclusion that the objective of giving massive, unsustainable and poorly monitored loans and "normalising" project failure is to perpetuate a relationship of indebtedness and not necessarily to promote development.

> Alternatively Governments could go on lowering expectations and shift their focus from the reduction of poverty to the reduction of only absolute poverty. They could continue to endorse modest development goals, such as carrying 20 litres of water over a distance of 200 metres rather than a distance of 400 metres twice a day.

African countries have two options: to continue to implement development strategies that began in the early 1960s and before, and which have yet to meet the basic needs of their citizens, such as electricity and piped water in all homes by halting the haemorrhage of funds through the servicing of non-performing loans.

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All outstanding public loans need to be audited. Those that are found to have been nugatory expenditure (regardless of the lenders' own self-ratings) should be repudiated. This includes any which were wasted by leaders who are themselves enabled by World Bank negligence in the design, planning and oversight of their projects.

Uganda's progress is often contrasted with Malaysia's owing to similar colonial histories and deriving much of their incomes from the export of raw materials during that time and on in to the 1970s. Like Uganda Malaysia has offered incentives for local and foreign direct investment such as tax holidays and duty free imports of raw materials and capital equipment. Malaysia managed to implement a national development plan focused on import substitution without coercion while Uganda turns initiatives such as these in to discouraging financial scandals. The Auditor-General's last report questioned a tax holiday granted to a hotelier to which, he said, there was no end in sight. The government has been covering the investor's tax obligations for the past five years. Last year the country failed to collect royalties on gold exported from her new refinery, the loss was between USD 1.9 million and 9.7 million.

Uganda is more usefully compared and contrasted with other countries with similar histories of endemic corruption and incompetence. In developing strategies for self-sufficiency we would do better to take as our model two countries that managed to increase their food yields, health care coverage and school enrolment without World Bank loans: Sankara's Burkina Faso and Castro's Cuba.

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