Moving beyond the Paradox of Macroeconomic Stability in Uganda?

Elisa Van Waeyenberge[1]

[1]. SOAS, Economics, London, United Kingdom

ew23@soas.ac.uk

The current historical circumstances may have created an opportunity for a redefinition of the development agenda. Indeed, the global financial crisis has cast a critical shadow over the model of development and growth that has been so heavily promoted over the last three decades. Within this context, opportunities may have arisen to redefine a now much-discredited policy order. Charting clear alternatives both in general terms and for specific country-settings then becomes an imperative task. This paper considers the possibilities for this in the context of Uganda, which constitutes a good example of what has been termed the "paradox of macroeconomic stability", suggesting that the record of macroeconomic stability in many developing countries has neither yielded the growth dividends that were expected, nor brought about the necessary structural changes for sustainable employment creation. Indeed, the Ugandan government has strictly adhered, over the last two decades, to the various prescriptions of the Bretton Woods Institutions, including the implementation of tight monetary and fiscal policies, a flexible exchange rate, an open capital account, and extensive deregulation and privatisation efforts. Nevertheless, the economy remains characterised by poorly developed productive capacities and insufficient diversification into activities that can absorb a fast-growing population into productive employment. Recently, there have been apparent changes in Uganda's strategic direction. These are emblematic in the strong rhetoric on a revitalisation of the role of the government, mainly through an emphasis on infrastructure provisioning (in particular transport, power and irrigation). This paper scrutinises the nature of this apparent change in strategy. It argues that, overall, the scope for a fundamental change in policy direction remains circumscribed by the continuing commitment on behalf of the Government of Uganda to an orthodox macroeconomic framework concerned with price stability, low deficits, flexible exchange rates and external openness. A major argument pursued points to the insufficiency of a strategy that continues to rely predominantly on the private sector to generate accumulation patterns that engender and sustain structural transformation of the economy towards higher productivity activities and better employment opportunities.