

The political economy of productive sectors: Explaining regulatory initiatives in the fisheries and dairy sectors in Uganda

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Based on results from the ongoing collaborative research project on Elites, Poverty and Production (www.diiis.dk/epp).

Until about 2006, fish exports from Lake Victoria were a real success, almost overtaking coffee as Uganda's most important foreign exchange earner. However, during the last half decade, fish catches have declined rapidly along with the decline in fish. The sector suffers from a very tangible lack of regulation of the fisheries resource. In contrast, Ugandan milk production has boomed since the mid 1990s, and while the quality of the milk used to be highly questionable due to practices such as diluting milk and boiling it in sauce-pans, quality has gradually improved due to regulatory initiatives. This paper sets out to explain the puzzle as to why regulation of the dairy sector has been relatively successful, while it has failed in the fish sector, which was about to overtake coffee as Uganda's primary export commodity. In the milk sector, the regulatory agency emerges as a "pocket of efficiency" while the national agency in charge of managing the fisheries is rather weak. Through a political-economic approach focusing on the structure of the ruling coalition I try to understand the differences between the sectors. I use a framework that focuses on the important actors in the sector and their relations to the political elite.

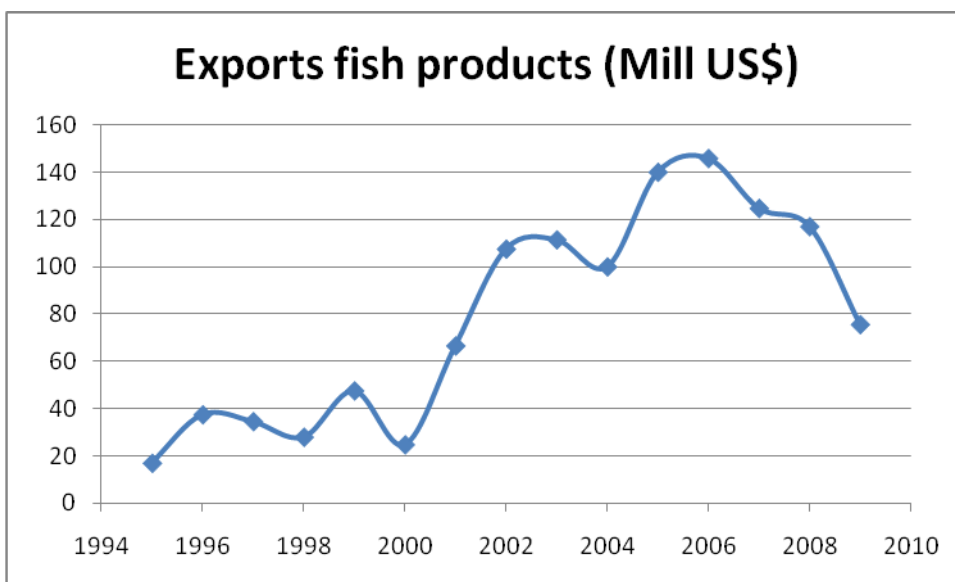
The paper draws on results from an ongoing comparative research project studying productive sectors in Uganda, Tanzania, Mozambique and Ghana. I base the paper on a large number of interviews with key policy and industry actors, and sector experts such as researchers and scientists, carried out between 2008 and 2011. In addition, careful reading of important policy documents, newspaper articles and minutes of parliament sessions (Hansards) are drawn upon. In the following, I first characterize developments in the two sectors, then, I line up how an understanding of the

structure of the ruling coalition matters, and finally I analyze how these political economic factors have affected the two sectors.

1. The puzzle: diverging regulation of fisheries and dairy

For much of the last decade, fish and fish products have been Uganda's fastest growing non-traditional export, and it is the second most important foreign exchange earner after coffee, contributing 16% of total export revenues in 2004 (103.3 mill US \$) (Africa Development Fund, 2006). Fisheries (mainly frozen Nile perch) have contributed 7-8 percent to GDP. However, since 2006 fish exports have been declining rapidly, as indicated in figure 1 show.

Figure 1: Decline of exports of fish in Uganda



(source: IMF statistics, bank of Uganda, quarterly reports, and Private Sector Foundation, 2010)

In Lake Victoria, stocks of Nile Perch, the primary export commodity from the lake, have declined dramatically from an estimated 2 million tons in 2005 to 370,000 tons in 2008 (FAO Globefish report, 2009). In addition, the numbers of large Nile perch (above 35 cm) were reduced quite rapidly over the last two decades. The National Fisheries Resources Research Institute (NaFIRRI) carries out regular stock assessments of the lake using acoustic surveys. These surveys also show a

drastic reduction in the biomass of Nile perch. Between 1999 and 2009, the biomass is expected to have fallen from 1.3 million tons to 0.3 million (UFPEA fish newsletter, vol 9, 2009).

Accordingly, export earnings in Uganda have declined in recent years, as indicated in the figure above. Some processing factories around the lake have closed (in Uganda, 3 out of 16, according to the Uganda Fish Processors Association, UFPEA) and the rest operate at reduced capacity. A large part of the decline is associated with the increasing number of fishermen along with an increased capacity for fish processing. In addition, a lot of the decrease in biomass can be explained by overfishing of young fish. Surveys show that there are many young Nile perch, but they are being caught when they are still below 30-50 cms of length.

Fishing in Lake Victoria is basically free for all, making it a classical example of a Common Pool Resource that is not adequately regulated. Fishing licenses were issued at the local government where there was a strong interest in obtaining many license fees, especially after the abolishment of graduated tax. At the moment of writing, regulation on this is non-existent and everybody can in principle go fishing on the lakes. Whereas there were about 10,000 vessels fishing in Lake Victoria in the 1980s, this has risen to 60,000 around the millennium with an approximate crew of three men per boat. LVFO sources estimate the total number of fishermen in Lake Victoria to have gone up from 129,300 in 2000 to about 199,300 in 2008.

There is a considerable degree of illegal fishing in the main lakes. Illegal nets are so closely knit that they catch undersized fish, and this contributes to the deterioration of the stock. The number of illegal gillnets in Lake Victoria, for example, is thought to be around 208,000 which is a fourth of the amount of legal nets (805,700). Smuggling of fish to Congo and other neighboring countries takes place and contributes to the overfishing.

In all, there is a glaring lack of regulation of the sector, in spite of a number of initiatives. On the regional level, The Lake Victoria Fisheries Organizations was established in the early 2000s with support from the European Union. Its main purpose is to help Uganda, Kenya and Tanzania manage the fisheries in the lake. It has had a number of achievements, such as improving landing sites, and helped the establishment of Beach Management Units to control the fisheries and monitor the catches. These units consist of the different stakeholders such as the fishermen, the fishmongers, and the local governments' fish officers. However, there has been limited efficiency, and there is a lack of sanctioning of illegal practices.

In spite of initiatives to support BMUs, the Department of Fisheries Resources (DFR) within the Ministry of Agriculture, Animal Industries and Fisheries (MAAIF) is considered to be weak, understaffed and with no capacity to enforce management of the fisheries (according to several interview persons in- and outside the fisheries department). For example, one officer in MAAIF stresses the lack of manpower and adds: “The budgets are meager. The patrol boats consume a lot of fuel. You have a dysfunctional system. The logistical support cannot function. They bought boats that were cheap but too costly to run.” (Interviewed March, 2011). At one time the position of Commissioner was vacant for more than two years following the departure of the former occupant to the Lake Victoria Fisheries Association. The fisheries sector continues to attract little funding both at national and decentralized district levels of government. According to several interviewees, there is a striking lack of political priority to the sector considering it is one of the largest foreign exchange earners.

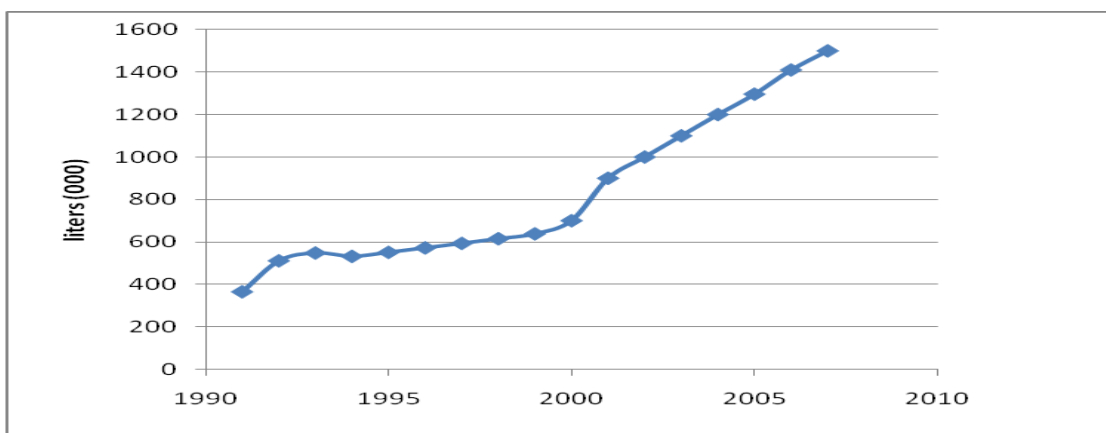
Lack of budget allocations has been a major factor in the low level of implementation of the fisheries policy. According to one observer, a private sector development advisor, the sector has been seriously neglected and only about 10% of the budget granted for 2009 was actually allocated (personal communication, august, 2010). A recent EU evaluation of the European Community’s support to Uganda observes that “further budget allocations to fisheries management would have been desirable” (EVA, 2009).

In order to strengthen management of the fisheries, a Fisheries Authority was proposed some years back, and although it was part of the enactment of a new fisheries bill and therefore was legislated in parliament, it never passed through cabinet and therefore, it was never established. As one research officer said, “The sector has collapsed. We have a number of legal instruments –all of them are in a draft fisheries act which is still pending before cabinet”.

Realizing that the lake was rapidly being depleted, and reacting against inefficient government management of the lake, the thirteen remaining fish processors in 2008 initiated a self-regulation system in which they commit themselves to not accept fish of less than 50 cm. However, illegal fishing continues and the fish stocks keep coming down. In all, fisheries resource management is highly inadequate and fish resources are dwindling as a result.

In contrast, milk production has been growing rapidly in Uganda. The Food and Agricultural Organization (FAO) estimates that between 1996 and 2005, the annual growth rate of milk production was 5.7%, which is double the 2.8% growth rate for Africa as a whole (Ndambi et.al., 2008). Production has increased from around 200 million liters annually, in the 1980s, to an estimated 1.4 billion liters in 2008. Though there are slightly differing reported numbers of milk production trends depending on the source, they all show a similar rising trend. Figure 2 below is based on data from the Dairy Development Authority (DDA) and shows a clear rising trend.

Figure 2: Milk Production in Uganda, 1991-2008



Source: DDA, 2009

The main source of increased milk production is a mix of higher yields per cow and an increased number of cows (FAO, 2010). At a micro level, there has been an increase in the average milk yields per cow, mainly because some dairy farmers have invested in improved breeds and also adopted better livestock management approaches. As production gradually increased, the need for regulation became more pressing. Practices to reduce the quality of milk were widespread. For instance, it was common to dilute milk with water, to add anti-bacterial medicine, or to boil it in saucepans.

Recognizing the need for regulation, a Dairy Board was proposed as part of the (Danida-supported) Dairy Master Plan developed in the early 1990s. Although it took some time to be enacted, the Dairy Development Authority (DDA) was established in 2000 after the enactment of the Dairy Industry Act in 1998. Although regulation of the sector remains a challenge and is still not adequate, the DDA has achieved a number of objectives. The authority has managed to slowly

upgrade the sector through, among other things, a series of bans. The first ban was one on transporting the milk in plastic jerry cans. Although this still happens, the DDA was successful in the sense that aluminum cans are now the most common container in which to transport milk. Another ban has been on transporting un-cooled milk, which has resulted in a large increase in the number of milk-coolers and cooling-truck. The DDA has engaged with industry actors and achieved their cooperation in the implementation of important regulatory initiatives. The Dairy Authority receives regular funding and also has its own source of revenue from fees it collects on coolers and on processing. In contrast, a Fisheries Authority was proposed but never set up. The Department of Fisheries Resources is generally considered to be underfunded and weak, lacking basic physical and human resources to control the lake.

So the pressing question is why there has been a striking neglect of the fisheries sector that has been the second largest foreign exchange earner, where as the dairy sector that is relatively less important, at least in terms of exports, receives a considerable amount of political priority? In order to explain that puzzle, the political economy literature on government-business relations and growth-enhancing governance is particularly helpful.

The literature on growth-enhancing governance

New contributions in the literature have done a great job in explaining why some economies outperform others in terms of development. For example, Doner et. al (2005) focus on the combination of external threats, scarce resources, and broad coalitions in order to explain differences between Asian countries. Through a comparative analysis of Brazil, Korea, Nigeria and India, Kohli (2004) argues that colonial history affected the nature of the post-colonial states in ways that enabled or impeded the state to promote development and, focusing on Africa, Kelsall and Booth (2010) and Kelsall (2011) are using the concept of “Developmental patrimonialism” to explain differences between African growth experiences. They use Rwanda under Kagame as an example of how centralized rent management combined with a long term time horizon of the political elite can result in economic development.

While this literature helps explain difference between countries, it is less helpful when the ambition is to explain within-country variation. Here, we turn to Mushtaq Khan (2010) who provides a first step to analyzing sectors with his concept of a growth-stability trade-off and the structure of the

ruling coalition. Khan's starting point is that introducing a growth-enhancing institution can be politically costly in the sense that there will often be powerful coalitions resisting such initiatives. The transition costs of institutional change thus refer to all sorts of costs "a society can face as result of organized political resistance to the implementation and operation of particular institutions" (Khan, 2010: 36). The greater the resistance from powerful groups, the more political stability will decline. The growth stability trade-off of a particular growth-enhancing initiative will therefore depend on the nature of the political settlement in a country.

In developing countries, all political settlements are clientelist, according to Khan, because significant power is based on sources outside the incomes generated by formal institutions and powerful groups can influence economic outcomes irrespective of their formal rights (Khan, 2010: 49). There are many types of clientelist settlements ranging from developmental states on one end on the continuum, to states that are not growth-promoting at all. Hence, it is important to understand the structure of the ruling coalition within a clientelist settlement in order to understand the specific growth-stability trade-off. A ruling coalition can be developmental if the factions excluded from it are weak and cannot oppose implementation of a growth-enhancing initiative. In addition, if the lower level factions within a ruling coalition are strong, they can powerfully resist implementation of a growth-enhancing initiative.

Khan does not relate his framework to specific sectors, but it is relatively straightforward to extend his way of thinking to a certain productive sector and analyze how it relates to the ruling coalition. It would be necessary to examine, for instance, whether politically important actors in a sector constitute part of the support base for the ruling coalition. But to understand the importance of a sector, we also include a focus on government-business relations. In the EPP-project, our African cases pointed to the need for an additional set of variables that included the bureaucracy. We therefore add another dimension to Khan's framework: The nature of the bureaucracy and the role of the bureaucrats feature strongly in the developmental state and business-state relations literature.

Two features of the bureaucracy are important: the level of political support that bureaucrats have from key political elite with relative autonomy from political interference; and the level of knowledge about the industry that bureaucrats have and their embeddedness in the industry, i.e. their connections with productive entrepreneurs in the relevant industry with relative autonomy from those entrepreneurs. In order to succeed in building a growth-enhancing institution, or what might be termed "a pocket of efficiency" in an otherwise clientelist setting, political backing

without too much political interference is generally seen to be necessary (Evans, 1995, see also Taylor, 2007). In addition, the greater knowledge a bureaucrat has about an industry and its needs and the greater his/her embeddedness in the industry, the more likely the bureaucrat to advocate and formulate initiatives in the interests of the industry as a whole, rather than the needs of individual entrepreneurs or groups of entrepreneurs that do not help to advance the industry in terms of expanding, increasing competitiveness, or upgrading.

In all, combining these perspectives gives us a framework with which to understand the politics of sectoral initiatives:

1. Potential opposition to a growth enhancing initiative
2. Industry relations to the ruling coalition and level of political support for the growth-enhancing initiative
3. Bureaucrat's knowledge of the industry and the bureaucracy's linkages to industry actors

Potential opposition to a growth enhancing initiative

The growth enhancing initiatives we are analyzing in this paper are the attempts to regulate the fisheries and dairy sectors. As mentioned, in both sectors, the proposal to establish a semi-autonomous body in charge of regulation was made but it was successfully established only in dairy. In both sectors there was a new national policy where after a bill was proposed that included an authority.

Both these initiatives can be seen as costly in that they were resisted by powerful groups. In both cases the relevant Commissioner in the Ministry of Agriculture, Animal Industries, and Fisheries was trying hard to establish an authority and in both, it had been proposed by expert consultants in

reports analyzing the industry (personal interviews with the former commissioner of dairy, and the former commissioner of the Fisheries department).

In both sectors, regulatory initiatives were viewed with skepticism by producers. Dairy farmers were strongly opposed to the regulation of milk containers, and milk temperature for instance, because going by the proposed rules would be expensive (interviews with a large number of dairy farmers and traders, during 2009 and 2010). For instance, the cost of an aluminum milk container is many times that of the plastic jerry can that was widely used until they were banned. The bans were not popular among farmers and traders, and it was not easy to enforce them. Small-scale fishermen have for long vehemently opposed the attempts at controlling the fisheries resources. The former commissioner in the Fisheries Department says "Fishermen also wanted to demonstrate against any punitive measures applied by government." Several officers interviewed complain that impounding a boat because of illegal equipment of the capture of fish below a certain minimum size can be difficult due to violent resistance on the part of the fishermen. Local politicians tend to support them since they know it is a way of gaining popularity. A district fisheries officer puts it this way: "You could arrest 20 people but by the time you reached court there would be two people left because politicians intervene." (Interviewed in October, 2009). Both fish and dairy have up to one million producers, potential voters who could be lost if unpopular regulatory measures were taken. Other opponents to the establishment of an authority would be the Ministry of Agriculture, Animal Industries and Fisheries (MAAIF) which would prefer a strengthened Ministry rather than the removal of ministry functions to semi-autonomous bodies. Over the last two decades, there has been a process of removing a number of functions from MAAIF, there is Meat Authority, and a Secretariat for the reform of Agricultural Services, for instance, which have taken over key responsibilities from the Ministry.

So, in both sectors there is opposition against regulatory initiatives, and we need to examine the industry's relation to the ruling coalition and the government agency's relation to the industry, in order to explain why rather unpopular regulatory initiatives were possible in dairy and not in fish.

Industry relations to the ruling coalition and level of political support for the growth-enhancing initiative

It is not necessarily the best solution to set up a semi-autonomous body in order to improve regulation. One agricultural consultant told me he had argued against an authority in the fisheries sector on the grounds that strengthening the existing structures, in this case the Fisheries Department, would have the same effect. However, in a time where establishing authorities were considered the right way of boosting a efficiency in a particular area, and given the fact that such an authority needs resources and support from government, the mere fact that a regulatory body is set up arguably signals political backing to the sector. Moreover, given that fish exports were the second largest foreign exchange earner, one would think this was a sector to earn political attention. However, all interviewees agree that the sector has not been prioritized politically. When asked to compare dairy and fisheries, the former commissioner in the Fisheries Department puts it this way: “DDA did not come before us, in fact they copied us, they came through because of the politics, that they have cattle themselves, the ones in government,”

Indeed, the historical background of the two sectors indicates there is something to this explanation. From the outset, which means from the time when the National Resistance Movement took power in 1986, the president focused very much on dairy. To him personally dairy had a high priority, since he has a background in cattle, and the same goes for many of his ministers. Though the official government policies affecting milk production have not been directed at any specific region, private sector response of the general policies such as liberalization and regulatory measures has been greatest in the south-western region, which is where many government members come from. This is probably due to elite networks and to the fact that a number of cattle owners are close to power circles. Quite often the President has talked about the initiatives that he personally undertook in order to develop his home region. For example, when speaking before Parliament on June 7th 2005, he said:

“We campaigned among those people (in Rwakitura) who were nomads to make them settle down first, but later on when I was able - after I had come back from exile - I was able to introduce the selling of milk. Those people had been keeping cattle since time immemorial but they were never selling the milk, which is where the problem was.

So, in 1989 I persuaded him (Hon. Kagonyera - was Minister of Animal Industry at that time) to disregard the Twenty Year Dairy Master Plan by the Danish. The Danish had something called the Twenty Year Dairy Master Plan. I said, "What would the Banyankore be doing in twenty years?

Dealing with cows? It just needs six months." And we introduced Friesian cows in a few families, then the others took their example and eventually the area shifted from subsistence farming to commercial farming.

Personal initiatives to promote the dairy sector have also been taken by other key members of the government, for instance the Minister of Works, John Nasasira, who is very popular in his home area of Kazo where he is known to have introduced many support schemes and, among other things, to have educated the local people to better exploit milk production. One seasoned academic and poverty researcher sums it up like this "The south western farmers have succeeded because of many factors but don't underestimate the power of political connections in this. People from this area are better connected –whatever efforts they make, they are already cushioned." (interviewed June, 2008).

Industry actors' access to the president, and to the State Minister of Agriculture in charge of Animal Industries (who is also from the south-western area and the president's cousin) seems to be fairly easy. Most south-western dairy farmers and traders interviewed mention regular communication with the minister or direct communication with the president. One of the dairy farmers told me "the president sat right in the chair where you are seated now". In general, many of the sons of the south-west dairy farmers are in the army; as one interview-respondent said: "we are part of the same people".

When asked, the dairy farmers and the traders tell me they can access the minister by writing him a letter or through their contacts. They agree that he has generally been supportive to them and to the DDA. In several public appearances, the Minister has been supportive of the dairy farmers, urging them to organize, to establish their own processing plant in order to depend less on the big processing plant, Sameer, who pays a very low price for the farmers' milk (See e.g. The Observer, November 25, 2009; or the Monitor, May 25, 2011). However, he is also in a position which puts him under pressure from the formal dairy sector, especially from Sameer Ltd, the former parastatal, to regulate or indeed abolish informal milk sales which constitute about three quarters of all milk trade. Sameer is interested in buying all the milk, but the farmers get a better price from the milk traders who transport the milk to Kampala and sell it cooled but unprocessed.

One representative from UNDATA, the dairy traders organization tells me: "The Minister Bright Rwamirama wanted to abolish the informal sector, he told us to stop operating (in 2006) – but he

cannot just do that in one go, so we came up with a strategic plan to gradually formalize/organize the informal sector. We have done a lot –invested a lot in order to improve the quality. We argued that we are not disorganized.” (Interviewed May, 2008, see also the New Vision, September 4, 2006). In other words, the Minister is supportive of the dairy sector, and of the dairy farmers, but is also balancing between the big processor, Sameer Ltd, who has an interest in abolishing the informal sector in order to eliminate competition, and the smaller producers and traders.

The close relation to the ruling coalition, and the strong personal interest many government members had in the sector arguably made it possible to implement unpopular regulatory initiatives. The government-industry relations are far from harmonious. The farmers and traders have a strong interest in not banning the sale of raw milk for instance, and the traders are constantly in fear of losing their business. They also argue that government policies favor the big processor, Sameer Ltd, which is the now privatized and former government-owned dairy corporation. So there is a clear perception among farmers and traders that government initiatives are hostile to them. However, the DDA was established in spite of resistance due to a strong political drive to upgrade and develop the sector. This was possible, partly because the power of the ruling coalition is based in the south-western milk-shed, and hence, even though the growth-enhancing initiative was potentially destabilizing because of opposition, the political support for the ruling coalition served to ameliorate the destabilizing effects.

In contrast, the Fisheries Authority never went through cabinet in spite of the fact that it had been legislated in parliament as part of the new National Fisheries Policy in 2004. It is clear that the level of political support for an authority was not as pronounced as in the dairy sector. It is a challenge to explain a non-event, i.e. why an institutional change does NOT happen, but in relation to Khans theory, one can argue that the growth-stability trade off was different because the industry actor had a different relation to the ruling coalition. Uganda does not have the same tradition for fish as for cattle. Geographically, the main fishing areas are located outside the south-western region where the president comes from, and he has on several occasions claimed that he does not like to eat fish. Fish exports came up as a non-traditional export commodity driven by private entrepreneurs. These entrepreneurs are mainly from abroad. According to the Uganda National Fish Processors Association (UFPEA), only one of the factory owners is Ugandan –the rest are Asian-Kenyans, or from the Middle-east. The Chairman of UFPEA is from Belgium. The success of the sector has to do with the improved ability to live up to international standards. After a series of European bans on

imports of fish from Lake Victoria, the public authorities and fish industry cooperated in establishing procedures of testing and setting up laboratories (interviews, but see also Ponte, 2007). This success was driven by increased European demand, and the European bans putting a halt to export earnings in the 1990s. The role of government in this was largely reactive.

However, as fisheries exports increased, over the 2000s it became clear that the fish stocks were being depleted in Lake Victoria, but also in other of Uganda's lakes. It is now clear that the need for fisheries management was realized at a very late stage. There had been an old fisheries policy in place from 1964, and the new fisheries policy pended for a long time. Although the commissioner was pushing for the establishment of an authority, nothing happened. One former employee in the Fisheries Department remembers that the Commissioner had to wait until the minister was out of the country, then he took the bill (on the fisheries authority) to cabinet. But the minister heard of it and stopped the plans. There was no push for establishing the Authority, as there had been in the dairy sector and there was more disagreement between relevant bureaucrats and politicians.

The fisheries sector has not been as debated in parliament as has the dairy sector. In fact, a member of parliament from Kalangala islands, a fishing constituency, felt he had to bring a basket of immature fish to a parliamentary session in order to draw attention to the fact that illegal fishing was rampant (interviews, but see also the *New Vision*, Wednesday, 24th September, 2008: MP exhibits rotten fish in parliament").

Access to the president or to the Minister is apparently not as easy as in the dairy sector. The Association of Fishers and Lake Users of Uganda (AFALU) which tries to organize a generally weakly organized sector, has tried repeatedly to attract attention to the fisheries. In 2009, the fishermen were protesting against alleged lake closures, and, according to interviews and minutes from the Associations' meetings, they were discussing how best to get their message to the president. They discussed whether they could mobilize money to pay their RDC to organize a meeting with the president's brother. The distance to the ruling coalition is clearly quite large.

With regard to the processors, they are outside of the ruling coalition simply because they are non-Ugandans. They have had access to the government, but they have not pushed for an authority until quite late, about 2008, when they realized the lake was being depleted. They had originally come together as an association primarily to cope with the EU bans.

Finally, political support for the ruling coalition is much stronger in the south-western milk shed than in the fishing constituencies. Many interview-respondents mentioned the fact that unpopular measures against the fishing communities were not feasible due to their voting power. An animal scientist, for example, says “With fish, regulation has not been implemented at all. There were big fights between communities and the fisheries officers. And the politicians wanted votes, so they listened to the communities” (interviewed March, 2011). In contrast, the dairy communities often support the president even if they disagree with specific regulatory measures in dairy. This is because they feel they owe their wealth to the ruling coalition. In 9 districts around Lake Victoria, 59% percent voted for Museveni at the recent 2011 elections, while in the south-western dairy districts, on average 82 percent voted for Museveni. In Kiruhura, which has the largest concentration of milk coolers, and which is Museveni's home region, the support for him was 94 % (Uganda Electoral Commission).

In all, a combination of the fact that many government members are themselves dairy farmers, and the fact that the south-western dairy shed is a power base for the government has enabled political attention to the sector. Although regulation was resisted, the growth-stability trade off in the dairy sector was not steep –in other words, a growth enhancing institution, the DDA, could be established and operate without an extent of opposition that would be too politically costly. On the other hand, an Authority in fisheries would be costly, given the opposition against regulation, and the little priority given to it among key members of the ruling coalition.

Bureaucrat's knowledge of the industry and the bureaucracy's linkages to industry actors

As mentioned, the DDA has successfully established a relationship with the traders and big dairy farmers based on mutual recognition and trust. The DDA is staffed with quite competent people, most notably its director, who has a past in the Ministry of Agriculture as Commissioner, and who has also been on the board of the former parastatal: the Ugandan Dairy Corporation. All interview respondents in the sector agree he has done a good job since he became director. The DDA director has consistently negotiated with the milk traders and farmers and in the process, persuaded them to upgrade technologically and improve the quality of the milk. A Uganda National Dairy Traders Association (UNDATA) representative described the process like this: *Before 1999 we used jerry cans to carry milk over long distances –but then there was a ban on jerry cans: people had to be*

sensitized not to use them –we demonstrated against that ban –because of the costs –a jerry can costs (UGX 1,200 while an aluminum can costs almost twenty times more at UGX 220,000. With that big number we wanted to postpone the ban –until 2000 when it was finally implemented- we stopped buying milk from farmers –and everything was chaos- so they had to postpone- we could not afford the sudden transition to aluminum cans –some people dropped out –others got bank loans and invested. This was a positive development because it raised standards (Interview, Kalidi Matavo, see also the New Vision, Monday September 4, 2006).

Another regulatory initiative has been the abolishment of the boiling of milk in big sauce pans in the urban centers. DDA tried to sensitize farmers and traders to promote small scale pasteurizing. The practice of boiling milk had been common because it would kill possible bacteria—but unfortunately also the nutrients. *The second ban was against the boiling of milk. – we protested. We told them it is better to boil –DDA told us batch pasteurizing would be good (2003 –the UNDATA report says 2002). They were pushing us to buy electric pasteurizers but we opted for the charcoal pasteurizers that cost only one third of the others (Interview, Dairy Trader and small scale processor).*

In fact, according to UNDATA, after the ban on boiling, the traders invested in the purchase of 52 batch pasteurizers. In 2005 there was also a ban on the sale of un-cooled milk, which caused a lot of the private traders to invest in coolers, (allegedly the construction of around 90 milk coolers). Finally, in 2006 there was a ban on transporting milk in aluminum cans over long distances, and the traders (according to their own report) subsequently purchased forty tank vehicles. Though the DDA director has an organizational interest in developing and modernizing the dairy sector, and there are proponents for doing this “the hard way” through an outright abolishment of raw milk sales, the DDA has argued for a more pragmatic approach pointing out that it would not be wise to abolish what literally constitutes eighty percent of the sector. The DDA therefore adopted a more gradual approach, where the sector is being upgraded stepwise and thereby gradually formalized. As one interviewee said: *The ban on sale of raw milk in urban centres, is still being discussed –it may not be a bad idea but they should do it gradually. Otherwise what else do you do with the 80% that is traded informally?* (Employee with the American Land O’Lakes, Interviewed May, 2009). The DDA director (interviewed May, 2009) emphasized: *I think on the traders I have done a good job in persuading them to invest in upgrading their business. When we came in there was a need for regulation –a partnership with UNDATA was a better option –they have really tried to organize.*

The level of organization in the dairy sector has come up considerably. While there were only 6 dairy cooperatives in the early 1990s, there are now about 120 cooperative unions (Land O'Lakes report). Seven district cooperative unions are organized under an umbrella organization, Uganda Crane Creameries Cooperatives Union, UCCCU, that represents about 15,000 dairy farmers alone. UCCCU has a well-staffed secretariat and is planning to build its own dairy factory to make the farmers less dependent on selling milk to the big processing company, Sameers.

The Dairy traders are organized in the above mentioned UNDATA. Traders and farmers are represented in the DDA's board of directors whose members all have backgrounds in dairy farming. There is a high degree of interaction: industry actors interact with each other and with the DDA; this is indicated in all of the approximately 40 interviews carried out with industry actors, and the following are a few quotes representing a general pattern coming from the sector on close agency-industry relations:

Representative of the Traders Association, UNDATA, May 2008. "The DDA regulates –they have been supportive –they encouraged us to take loans to upgrade from jerry cans- – we pay some money to test whether the milk is adulterated –the DDA listens to us."

Chairman of the dairy farmers association, June 09 "If we have a problem we normally go to the DDA and the minister –they are supporting us"

GBK, Processing factory, the owner. June 09: "The only institution who helps us is the DDA –they do their best –they sensitized us and the farmers –they have done a big job in promoting small scale pasteurizing. Now, more traders do batch pasteurizing."

July 1st 09: representative from ADAPU, a dairy cooperative, Kiruhura. "But we called the minister –and then the DDA director negotiated, and we succeeded in getting a higher price for our milk". "it is important to negotiate with the traders as well. They want to bring in milk for our plant –UNDATA- we talk to them." "DDA came to supervise –they make regular visits – they have done a good job."

In all, the quotes portray an industry characterized by close ties between the government agency and industry actors. In spite of conflicts and disagreements between on the one side dairy farmers and traders, and on the other side, large scale processors and the government, the DDA as regulatory agent has had a mediating role. It has established a relationship of bargaining and trust to industry actors and has succeeded in upgrading the sector, thereby improving the quality of the milk being sold.

With regard to the fisheries sector, relations between the industry actors are not as close as in the dairy sector. The Lake Victoria Fisheries Organization as a regional organization has helped establish Beach Monitoring Units and upgrade landing sites. The implementing agencies are the national agencies, i.e. the Department of Fisheries and local governments. The Department of Fisheries tries to control fishing on the lake but lacks basic equipment. Former and present employees in the department tell the same story, that there is no capacity to regulate. For example, an officer says: “BMUs would do a good job, but they need good monitoring from the department, they should have more support in logistics, training etc. we don’t give them the support, because of a lack of resources” (Interviewed October, 2009). The local governments are in charge of impounding illegal fishing. At the same time, local governments have tended to issue too many fishing licenses, as these have been regarded as a source of income for the local government.

There is generally a low degree of organization of the sector making it harder to negotiate with especially the smaller fishermen. Fishermen are scattered throughout a large area many of them living on small islands. Although one bureaucrat in the Department for Fisheries said there are no fishers’ organizations, one organization for fishermen, AFALU (the Association of Fishers and Lake Users of Uganda), is indeed establishing itself. It is based near Kampala in the town of Mukono. It was established in 2004 and has about 7,000 members. One Mukono fisheries officer says: “AFALU is there and other local fisheries organizations. They have good intentions but they lack resources. We did not know them, we knew AFALU but it did not come up actively. The members of AFALU are the well to do fishermen, they have tried to recruit more, but they are still only somehow successful”. (October, 2009). Although they are far from organizing all fishermen, AFALU petitioned the president with regard to an alleged closure of the lake (interviews, but see also *The New Vision*, “Fishermen seek Museveni intervention over lake closure”, Monday August 10, 2010). The closure of the lake was never enacted, and whether it was due to AFALUs intervention or simply due to the fact that the 2011 elections were coming up and the president was afraid of losing the fishing communities’ votes is hard to tell.

The processors organization, UFPEA, has had some interaction with AFALU recently. UFPEAs general secretary says: “The fishermen should be more organized. That would help. We invite them for meetings (e.g. AFALU from Mukono) –but there is no general fishermen’s organization.” During 2010 AFALU has cooperated with UFPEA in persuading government to set up a national task force that includes police forces in order to be able to sanction illegal fishing. In that regard,

UFPEA and its chairman have been in close interaction with the Fisheries Department. In fact, UFPEA is aware of lacking budget allocations within MAAIF to the Fisheries Department and has tried to put pressure on the Ministry of Finance to do something about the allocations.

The latest initiative driven by industry is the establishment of a National Task Force to combat illegal fishing. The task force is a partnership between the DFR, police, fishermen and the processors. The intention is to become better at patrolling in order to stop illegal fishing. Whether this initiative, taken in 2010, will work remains to be seen. As one factory owner told the author (March 2011): “we are barely breaking even these days, so this is a crucial time, and the national task force has to work”. Since the processors are struggling for their survival, the Task Force initiative is driven primarily by them.

Although the processors in order to survive have an interest in collaborating with the authorities in controlling the fisheries resource, they face a weak counterpart in the Department for Fisheries Resources. In all, organization in the fisheries sector is much more sporadic than in the dairy sector, there are no tightly knit networks like in the dairy sector, and the Fisheries Department lacks the resources and information to carry out resource management adequately.

Table 1 sums up the findings and illustrates how the differences in regulation between the two sectors can be understood when the relations to the ruling coalition are examined.

Table 1: Comparing dairy and fish sectors

	Dairy	Fish
Potential opposition to initiative	Strong opposition to regulation among producers and strong voting power Opposition in MAAIF to an authority	Strong opposition to regulation among producers and strong voting power Opposition in MAAIF to an authority
Relation to ruling coalition and political support	Close relation to and support base for ruling coalition, Strong political support for an	Distant relation to and not strong support base for ruling coalition

	authority	Weak political support for authority
Bureaucrat's knowledge of and linkages to industry actors	High knowledge and close linkage	Low knowledge due to lack of information, weak linkages

As table 1 shows, there was opposition to the growth enhancing institution (a regulatory agency) in both sectors. However, in the dairy sector, the initiative was not as destabilizing due to the way industry-actors was positioned in relation to the ruling coalition. There was basic support to the ruling elite in spite of disagreements with regard to dairy sector initiatives. In the fish sector, on the contrary, it was viewed as too politically costly to regulate the fisheries. Although the fishermen are not as organized as the dairy farmers, they still constitute a large number of voters, a number that cannot be ignored in times of elections. The growth-stability trade-off with regard to regulatory initiatives in the two sectors thus differs.

The analysis has shown that if the ambition is to explain the rise of a “pocket of efficiency”, an agency with some degree of success, in an environment that can be characterized as neo-patrimonial, a political economy approach that goes beyond the use of concepts such as patrons and clients and explores interests and industry-bureaucracy relations is useful. The neo-patrimonial paradigm would not be able to explain differences between sectors, since it refers to quite general categories of clientelism.

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