

## Book Review

*Uganda's Recovery. The Role of Farms, Firms and Government*  
Ritva Reinikka and Paul Collier (eds)

With contributions from economists and policy-makers based on several recent national surveys, this book provides illuminating analyses on some of the major aspects of Uganda's recovery and economic liberalisation in the aftermath of the political and social disorder that afflicted the country between 1971 and 1985.

The book is composed of five parts. Part I explores features of the programme of macroeconomic adjustment and structural reform that led to the country's recovery and analyses the trade-offs faced in the policy choices of Museveni's government. It shows how the application of pragmatic macroeconomic policies, strongly supported by multilateral and bilateral creditors and donors, has maintained high growth, rising living standards, low inflation, a steadily improving balance of payments and an increasingly diversified economy. Part II explores households' responses to the reforms implemented. The discussion begins with a detailed analysis of what happened to living standards, poverty and income inequality during the 1990s. Despite widespread concern about unchanging poverty levels, longitudinal data on private consumption show that living standards have improved even for the rural poor though pockets of deep poverty undeniably remain in the Eastern and Northern regions. The consequences of improved incentives for production on income diversification and market integration are then examined in greater detail. Part III focuses on firms and examines whether trade and economic reforms translate into higher private investment, gains of productivity and a more outward-oriented industrial sector. Using detailed firm surveys, it shows that liberalisation has been accompanied by a significant increase in output and productivity, but that the private response to policy reforms would have been much stronger if physical infrastructures and public services were less deficient and corruption less prevalent. The discussion on households and firms is followed by five chapters examining the government performance on three main aspects, namely tax collection, fight against corruption and service delivery in education and health. The editors end the book with a summary of Uganda's achievements and of the major challenges that the country will face in the future.

If one of the book's strengths lies in the rigorous methodological approach used throughout, what makes it so important and valuable is the quantitative database on which the empirical analyses are based. No less than five nationally representative household surveys covering the 1992–8 period and four enterprise surveys or industrial census are used to analyse the responses of private agents to the reforms implemented and identify the constraints they face. Another strength of the book is that it does not content itself with providing a clear and objective assessment of what has been done. It also assesses some of the strategic options that could contribute to further economic progress and reduce poverty. On this matter, what clearly emerges from the book is that a simple continuation of what has been done will not be sufficient to go beyond recovery. What is regrettable, however, is that contributors do not insist enough on three current obstacles that could well impede further development and cloud the future. First, Uganda remains clearly as shock-prone as any other African country as coffee is still the first source of foreign exchange reserves. In this sense, the period covered in the book is a little bit atypical as it was marked by high world coffee prices. Contributors of the book should have emphasised this stylised fact. The second obstacle is the financial participation of Uganda in the Congolese war. On this particular matter, surprisingly, the book is dumb. Yet, the involvement of Uganda in the Democratic Republic of the Congo's conflict has resulted in a considerable increase in the defence budget since 1997, at the very same time when public investment is immensely important to sustain growth. What could be even more damaging for the economy as a whole is that the rise in military expenditures could deprive the country of the high status it has been enjoying with donors and lenders for several years. Lenders, especially in Europe, have already threatened Uganda of a possible freeze of their disbursements on several occasions, and could put this threat into effect. The third and last obstacle, but not the least, is the HIV/AIDS epidemic. Although Uganda has achieved undeniable success in the fight against the disease through sustained preventive information campaigns, it remains true that the demographic and macroeconomic impact of AIDS will significantly increase over time.

To conclude, *Uganda's Recovery* edited by Reinikka and Collier is an indispensable reference not only for those who have a special interest in Uganda, but for all those (policy-makers, academics, development practitioners) who are interested in development issues. It demon-

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strates that a consistent economic reform programme combined with a strong political commitment to the reform process can deliver rapid growth and reduce poverty.

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