Book Review: Perspectives on Uganda – Reflections of an ODI Fellow by Prajakta Kharkar Nigam

Linet Juma says that Perspectives on Uganda – Reflections of an ODI Fellow stands out for giving practical examples of how to tailor policy around different contexts and not contexts around policy.

Perspectives on Uganda – Reflections of an ODI Fellow sets out to provide an alternative narrative about the social and business landscape in Uganda and suggests homegrown solutions towards self-reliance for problems that plague the financial and development sectors in Uganda. In the book, the author Prajakta Kharkar Nigam looks back at how Uganda’s financial sector has morphed since independence and explores issues of accountability in financial systems, tax avoidance, financial stability and innovations in payment systems, financial sector regulation, enhancing Uganda’s business competitiveness and China’s development aid in a series of essays.

The volume starts with an examination of accountability in financial systems in Uganda with a focus on the implications of collective withdrawal of donor aid and the role of governments in developing transparent and accountable systems to check financing and to cushion the economy from shocks resulting from sudden aid withdrawal.

This is followed by a brief history of the changes that have occurred in Uganda’s financial systems and market practices since independence in 1962. Here, the writer emphasises the challenges and emerging innovations to deal with inflation, financial literacy, access to financial services and information asymmetry between banks and users, with solutions such as gender-sensitive financial products and the formation of the CRB (Credit Reference Bureau) already in place.

Kharkar Nigam makes a strong case for financial stability and crisis preparedness in Uganda. While she acknowledges that it might be viewed as quite premature given Uganda’s relatively small financial sector and the more important need for inclusion, she provides an interesting perspective on how to view financial stability and crisis preparedness from the perspective of a developing country.

One of the most topical issues in the text is the issue of Chinese development aid. The book raises the question of whether China is a benevolent donor and acknowledges that while some people might view it in that way, it is more of a foreign policy investment as part of a larger plan to solidify China’s geopolitical power. This, however, does not imply Uganda should reject the aid, but rather evaluate the impact of the aid and projects financed on Uganda’s macroeconomic framework. Also, as the writer notes, it is important for Uganda to deal with the large-scale importation of Chinese labour by Chinese farms in the country which dwarfs capacity building and propagates dependence.

On tax avoidance, the volume highlights a glaring gap between the expected and actual paid tax, pointing to high tax evasion and avoidance in Uganda. The author makes an argument for closing the gap...
to be bridged by taxing the informal sector while ensuring accountability by government to motivate tax remittances. While this is quite promising, I believe tightening already existing tax remittance procedures would be better. As the writer acknowledges, there is a mismatch in sectors such as the real estate between GDP contribution and tax remittances. Given these are sectors that are easier to monitor, it makes more sense to ensure that the already operating systems are effective before taxing the informal sector. This will ensure glaring leakages are fixed before investing administratively on taxing the informal sector worsening the already existing problem.

The text also explores the regulation of Uganda’s credit and savings cooperatives (SACCOs) whose success Kharkar Nigam pegs on social capital and not purely government regulation. This, I believe, holds the key to success in regulation of SACCOs in Uganda. An understanding of how SACCOs operate will provide government with insight on how to structure regulation without having to transform them into credit institutions which is not what most of them aim for.

*Perspectives on Uganda* is not an in-depth analysis of financial systems in Uganda, but reflections and opinions on issues the author interacted with while in Uganda and gives practical examples of how to tailor policy around different contexts and not contexts around policy. It is a must read for anyone interested in Uganda and in the development and implementation of financial systems in Uganda and other African nations, as many issues discussed in the text are realities replicated across most countries in Africa coupled with the fact that it suggests possible solutions to every issue it explores.


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The views expressed in this post are those of the author and in no way reflect those of the Africa at LSE blog or the London School of Economics and Political Science.

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