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Reforming the roads sector in Uganda: a six-year retrospective

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Contents

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Summary

In 2008, a reform of the institutional framework governing the national road network in Uganda promised to end decades-long neglect of this vital infrastructural asset. A commissioned study of the political economy of the reform process in 2009 was followed by the approval and implementation of a multi-donor support programme, CrossRoads. This paper, by the authors of the 2009 study, takes a retrospective look at the changes in the sector and revisits the findings and recommendations offered six years ago. The re-study is not an evaluation of CrossRoads but it does distinguish the challenges in the sector the programme has addressed effectively from those that have not yet been tackled sufficiently. It seeks to understand the pattern of progress and stagnation over six years of reform with a view to identifying priorities for Ugandan reformers and international development agencies after CrossRoads draws to a close in December 2015.

Based largely on 25 off-the-record interviews carried out in one week in June 2015, the paper has three substantive sections (2, 3 and 4). The first reviews what has changed and what has not in respect of the politics and public management of investments in roads and the second deals in a similar way with the building of a national roads industry. The third considers the overall pattern of progress, stagnation and missed opportunities, and discusses the unfinished business of the roads reform process.

Positive changes are attributed to increased public spending on roads and various measures undertaken under the CrossRoads programme, especially a parallel bid evaluation system to improve the contracting of roads work and interventions to address market failures hindering the emergence of a locally owned roads industry. Setbacks and missed opportunities are linked to a misconceived approach to deepening institutional reform at the Ministry of Works and Transport and limitations of the instruments selected by CrossRoads for promoting change in the policy environment (including timely legislation) and addressing the deep-seated organisational and collective action challenges in the sector (including active support to upgrading the capabilities of firms). These areas of unfinished business are intrinsically very challenging. They also correspond to blind spots in the market systems improvement (Making Markets Work for the Poor) approach and weaknesses in conventional donor thinking about ‘advocacy’.

In order to address these weaknesses, future external support to the Uganda roads sector should recognise the need to break new ground in terms of methods as well as objectives. The funding and contracting modality should not just permit flexible responses to unforeseen opportunities and difficulties. It should also explicitly encourage an adaptive programme approach, as permitted by the ‘smart rules’ the Department for International Development recently adopted.

1 Introduction

The condition of the national road network is a major development issue in Uganda. Despite general recognition of the economic importance of internal and external transport links, underinvestment in road-building, and especially rehabilitation and routine maintenance, has been a chronic problem since the end of the country's civil war in 1986. In 2008, some of this began to change.

Until 2008, public spending on roads was low by international standards. Unit costs in the sector were also exceptionally high, for reasons including the low volume of work, a lack of competition and enterprise in the sector and the weakness of the public body, the Ministry of Works and Transport (MoWT), responsible for procuring and supervising road services. Corruption in procurement and quality control was widespread. Morale among local road contractors and consulting engineers was low.

In 2008, change came in the form of the creation of an executive agency, the Uganda National Roads Authority (UNRA), to take charge of an expanded portfolio of national roads, the launching of a Road Fund to address the maintenance backlog and a significant increase in the budget for public spending on national roads. Donors, including the World Bank, the European Union (EU) and the UK Department for International Development (DFID), responded with offers of new funding and technical support. Some of them, including DFID, were keen to support roads reform as a contribution to economic growth in Uganda, but were uncertain about how to do so. How much of a change in the actual functioning of the sector was to be expected from the new institutional framework? What would be the remaining bottlenecks donor funding might help alleviate?

To help answer these questions, DFID commissioned a study of the political economy of the reform, the findings of which were presented and then published by the present authors (Booth and Golooba-Mutebi, 2009). This study contributed to the design and appraisal of a joint DFID/EU/World Bank programme agreed at the end of 2009 (DFID, 2009; DFID Uganda, 2010) and launched by the service provider[1] in January 2011 under the title of CrossRoads. The study has been cited as a good example of a 'problem-driven' political economy exercise that helped inform the programming of a donor.[2]

Designed as a five-year intervention, reduced to four and later extended again to five, CrossRoads is now due to run until the end of 2015. The programme, with a budget of about £20 million, provides an umbrella for separately managed components giving technical support to procurement processes in UNRA, restructuring in MoWT and the creation of a nine-member Roads Industry Council (RIC). The programme team,[3] acting as the secretariat of RIC, has been responsible for a range of initiatives particularly focused on removing obstacles to the growth of a strong, locally owned roads industry. The operational philosophy guiding these initiatives is Making Markets Work for the Poor (M4P)(DFID and SDC, 2008).

The present paper arises from interest at the Overseas Development Institute (ODI) in reviewing the contribution of applied political economy analysis to resolving development problems. The paper is *not* an evaluation of CrossRoads, although it contains some material that could contribute to an evaluation. Nor does it go into detail about the extent to which our 2009 observations and recommendations really shaped the design and implementation of CrossRoads – a matter another publication later in 2015 will address. Instead, our purpose is to take a look back over the six years since our original study and ask a set of simple questions about progress in the sector. What has changed and what has not? Which opportunities have been taken and which have been missed, and what pathways of change are going to present themselves in the next few years?

This retrospective enquiry uses the same methods as we used in 2009. On both occasions, we have been in a position to draw on high-grade information and tried-and-tested analysis of the national political economy of Uganda under President Museveni, including detail on the way the mechanics of a patronage-based political system shape the functioning of public organisations and the private sector. The directly sector-focused analysis in 2009 was based principally on a large set of off-the-record conversational interviews with a range of actors who were in, or close observers of, the national roads industry. Interpreting expressed opinions and assessing the validity and reliability of factual claims was assisted by the number and diversity of the interviewees, following the principle of triangulation. In 2015, we spent a week talking to a similar range of informants (25 in total) in the same way, including seven of the 2009 interviewees. As required by the off-the-record data collection, we reference documents but only exceptionally the source(s) of oral information.

In the two sections that follow, we begin by describing broadly what we found and concluded in 2009 and proceed to say what has changed and what has not, particularly highlighting what seem to be missed opportunities. These sections, numbered 2 and 3, deal with the two principal parts of the challenge of roads reform

1 IMC Worldwide Ltd. (formerly WSP International Management Consulting) and Practical Action Consulting (formerly Intermediate Technology Consulting).

2 For example, in the context of http://thepolicypractice.com/onlinetraining/

3 David Entwistle (civil engineer), Team Leader, Alex Mugova (market systems specialist), Deputy Team Leader, Hillary Ahimbisibwe, Interventions Manager, Julius Kintu, Assistant Equipment Specialist and Brian Kaswa, Assistant Capacity-Building Consultant, with the support of some eight short-term experts as of December 2014. The programme has also funded a technical advisor to MoWT and a transport economist in the World Bank office.

in Uganda: the politics and public management of roads investments, and the development of a national roads industry. Section 4 has a different structure. It interrogates the pattern of opportunities taken and missed, developing an argument about what needs to happen to achieve a more consistently successful process of reform in the future. Here, we recall some of the recommendations we made, but perhaps articulated insufficiently well, in 2009. We also draw on more recent thinking about approaches to institutional reform and programme management. Section 5 sums up and looks forward.

2 The politics and public management of roads investments

2.1 Initial situation

In 2009, we took what we called a layered approach to the political economy of the reform process.[4] We asked whether the apparent increase in presidential interest in roads, reflected in an unexpected increase in the roads budget and the inauguration of UNRA and the Road Fund, signalled a sea change in the sector. Would the scale and quality of roads investments henceforth be protected from the harmful effects of the country's patronage-based, competitively clientelistic, political system? We concluded that it would not. Presidential interest in roads and economic growth was genuine, but conditioned by more compelling political concerns and the growing costs of winning elections.

We went on to argue there were ample precedents suggesting it was not possible to guarantee new formal institutions and organisations of the UNRA type could induce systematic changes in behaviour. UNRA might be semi-autonomous and its staff might be better paid than civil servants, but this would not protect it from high-level political interference or compel the adoption of high professional standards. Expecting change to be initiated from the 'demand' side was also unrealistic. Road users and professional organisations were generally unhappy with the state of the sector, but there were no stakeholder groups that did not face classic collective action problems of a relatively severe sort. In particular, any coalition harnessing the will for change that we detected on both sides of the relationship between UNRA and suppliers would face a severe lack of mutual trust.

In short, the basic political economy diagnosis was strongly pessimistic. However, studies of reform processes in Latin America had drawn attention to the frequency of change 'against the odds' in such seemingly impossible situations. The key success factor this research revealed was the presence of politically smart facilitators of change, with the necessary authorisation, connections and skills to exploit the uncertainties and take advantage of the complex interactions and interdependencies that are a feature of reform processes. We suggested applying the lessons of these experiences to roads reform in Uganda. They might be applicable, with appropriate adjustments, to the design of a donor-funded support project.

2.2 What has changed and what hasn't

Back to the bad old days?

To answer our question in reverse order, experience since 2009 has unfortunately shown the pessimistic parts of our diagnosis to be well founded. In mid-2014, a scandal broke around the award of UNRA funds to a medium-sized road-upgrading project to a ghost company claiming to be registered in the US. A Chinese firm that had been unsuccessful in the initial bidding was found to be implementing the project as a sub-contractor. A £5.7 million advance payment appeared to have been made on a fraudulent basis to a local bank account, from which it was immediately withdrawn. The scandal, pointing to a gross failure of due diligence by UNRA, claimed the job of the Acting Executive Director of UNRA, Eng. Ben Ssebbugga-Kimeze, and severely compromised the then Minister of Works, Abraham Byandala. Three staff members of UNRA are on suspension awaiting indictment. The president recently established a Judicial Commission of Enquiry with a wide remit to review the conduct of UNRA.

The Mukono-Katosi contract illustrates in a dramatic way the insufficiency of formal institutional reform in the face of well-entrenched patronage politics. Many of our interviewees believe that, as in the equivalent episode around 2009 (the Commonwealth Heads of Government Meeting, CHOGM, roads upgrading scandal),[5] those threatened with prosecution are scapegoats. Their sign-off decisions were taken in the context of overwhelming pressure to fast-track a project considered politically important at the highest level. The contract had been awarded in the lead-up to the 2011 elections, when President Museveni was under some pressure to secure the votes of the people of Mukono district by delivering on a long-standing government commitment.[6] The episode expresses in microcosm many of the elements of the bad old days of roads procurement in Uganda. To conclude that nothing at all has changed would be wrong, however.

4 As described in the Preface of our 2009 paper, this meant giving attention to at least all three of the following issues: 1) the systemic constraints arising from the institutional context; 2) stakeholder interests and decision logics; and 3) the room for manoeuvre in the process of change.

5 Ahead of the CHOGM held in Kampala in 2007, the road from Entebbe Airport to the capital was rehabilitated in a hurry and under strong political pressure. The auditor-general found technical corners had been cut and various procedural irregularities had been committed. In 2009, the then chief engineer of MoWT was in court facing a number of indictments arising from the scandal.

6 There is a useful summary of the media coverage of the episode on Wikipedia: https://goo.gl/uk7FAV

More spending

First and possibly most important of all, public expenditure on national roads has gone up in absolute terms and as a proportion of the national budget in every year since 2009. According to some computations, the volume of spending has quadrupled over the period, with as much as 60% now coming from the government of Uganda's own revenues. This has caused its own problems. Combined with the fact that the establishment of UNRA was followed in 2009 by a reclassification exercise that nearly doubled the scale of the national road network, the increased volume of funded activity has put a severe strain on UNRA's absorptive capacity. In several years, including the last, UNRA has been obliged to return funds to the Treasury owing to inability to complete the necessary contracting on schedule (e.g. Mugerwa, 2010). Complaints about the slowness of UNRA's contracting processes have been persistent.

One of the consultancies funded under the CrossRoads umbrella, provided by Adam Smith International, has had the objective of helping speed up tendering at UNRA by improving guidance manuals and simplifying procedures.[7] This is expected to have significant effects only when the approval of the regulator (the Public Procurement and Disposal of Public Assets Authority, PPDA) has been obtained. Nevertheless, in the view of most of our informants, the net effects of a larger roads budget have been strongly positive.

The volume of work on offer has brought in new market players, notably Chinese companies. Competition for large and medium construction and rehabilitation contracts has become quite vigorous, and as a consequence unit costs have begun to come down. Some doubts remain about the sustainability of the lower costs. Chinese and other international firms have access to credit on terms that local providers cannot obtain from banks in Uganda, a possibly permanent feature. Chinese firms are also suspected of bidding low on the basis of subsidies to secure market entry that may not be available in the future.

Parallel bid evaluation

Internationalisation of the market of roads services in Uganda is, of course, no guarantee of quality if the tendering procedures and contract monitoring arrangements remain corruptible. However, cleaning up as well as speeding up tender evaluation has been a second area in which there has been change for the better, despite what the Mukono-Katosi episode would suggest. With funding through CrossRoads, a system has been put in place in which all bids for works above $10 million in value, and a random 30% sample of those above $1 million, are evaluated by a committee managed by Crown Agents in the UK in parallel with evaluations submitted to UNRA's tender boards.

There is evidence that this parallel bid evaluation has improved the quality and probity of the UNRA evaluations. The frequency of queried decisions, leading to administrative reviews by the regulator, has declined steadily since it was in operation.[8] Several private sector members of RIC agree the level of trust in the tender process has improved. The Mukono-Katosi contract was awarded before this system was in place. Most of our interviewees believe a scam of this sort would now be harder, although the most egregious flaw in that process was probably in the 'due diligence' required to confirm the credentials of the ghost firm rather than in the technical evaluation of its bid.

The obvious limitation of parallel bid evaluation is that it requires continuing funding and entails working around rather than transforming the Ugandan institutional set-up. It suffers from the same difficulty as the continued insistence by several large external funders of road projects on using their own procurement processes. Against this, there are some indications of interest on the part of the government of Uganda (PPDA and Ministry of Finance, Planning and Economic Development, MoFPED) in adopting the system more widely and funding it themselves.

2.3 Missed opportunities

If parallel bid evaluation and the more mundane but promising work of accelerating UNRA procedures are useful complements to the big story about bigger budgets and more activity, there are two significant disappointments to put into the balance. They concern the CrossRoads component located in MoWT and the Road Fund.

The Transport Sector Development Programme

TSDP, funded by a World Bank credit with support from CrossRoads, has made little headway since 2011. TSDP is meant to achieve a number of institutional reforms over and above those associated with UNRA and the Road Fund. Based on the Bank's understanding of best practice in the field, the desired reforms involve the creation of new organisations with specialised mandates for district, urban and community access Roads, road safety, metropolitan transport and regulation across the transport sector as a whole. The last item – the establishment of a multi-sector transport regulatory authority – was adopted as the principal 'milestone' or progress-indicator for Output 1 in the CrossRoads logical framework. In 2014, as a result of the lack of significant progress against this milestone, DFID funding for the TSDP component was withdrawn, releasing close to £1 million for other outputs of the CrossRoads programme.

7 For example, raising thresholds for open bidding and increasing allowances for post-award contract amendments.

8 From seven to eight in 2010/11 to zero in 2013/14, we are told.

TSDP has two features of the classic approach to public sector reform, which has come in for sustained criticism in recent surveys of World Bank and other experience (Andrews, 2013; Levy, 2014; Manning and McCourt, 2013; Turner and OPM, 2013). First, it aims at technically desirable changes without proper regard to the incentives, political and bureaucratic, required to make them happen. Second, it places heavy reliance on the willingness and ability of government, buttressed by suitably placed technical assistance, to implement a series of steps according to an agreed timetable, with little scope for tactical responses to spoilers or adjustments in the light of experience. The new agencies the TSDP are meant, among other things, to remove competencies from the MoWT; yet the ministry is the body responsible for implementing it. The basic incentive structure is not right. In addition, the formality of the programme set-up favours those within the ministry who feel threatened (they know what they need to block) rather than those who see the possible efficiency gains (they cannot bypass the civil service hierarchy and its rules).

In view of the generally poor record of Bank-funded public sector reforms of this type, the failure of CrossRoads' TSDP component is not surprising. The CrossRoads Project Document anticipated 'a substantial risk of slow disbursement' of the $191 million Bank loan that was the basis of TSDP, 'especially given the challenges faced by the MoWT' (DFID, 2009: 10). It was for this reason that DFID committed to funding both a long-term policy advisor in the ministry and a Senior Transport Specialist in the World Bank office. It should also have been anticipated that additional technical expertise would not be able to alleviate a fundamental design flaw.

Maintenance backlogs and the Road Fund

More unexpected is the failure of the Road Fund to evolve according to plan. In 2009, the promise was that the proceeds of the Fuel Levy and other road user charges would be channelled directly to the Fund, thereby guaranteeing a sufficient flow of funds for road maintenance. The understanding was that MoFPED had opposed this for many years on the grounds that ring-fencing reduces desirable flexibility in budget preparation. However, one of the unexpected changes in 2008 was withdrawal of this objection. MoFPED through the Secretary to the Treasury was now a supporter of what is technically known as a second-generation road fund.

Despite this, as of mid-2015, the Uganda Road Fund is still at the first-generation stage, a mere intermediary between MoFPED and the entities responsible for procuring maintenance work, UNRA (for national roads) and local authorities (for district, urban and community access roads). Although maintenance budgets have been increasing (by around 150% over four years), they still fall short both of what is required to clear the maintenance backlog (RIC, 2013) and of what would likely be allowed by ring-fencing of the Fuel Levy. This was the subject of bitter complaint in newspaper opinion pieces by the outgoing chair of the Road Fund Board in June 2015 (e.g. Lutaya, 2015). The executive staff of the Fund appear embittered and frustrated, with some reason.

The main technical obstacle to the completion of the reform is a necessary amendment to the Uganda Revenue Authority Act to make it consistent with the Uganda Road Fund Act of 2008. The real reasons are bound up in organisational jealousies, bureaucratic politics and the ebb and flow of powerful individuals with different opinions in key posts. Piecing together information from different sources, it appears that opponents of the necessary legislation included Maria Kiwanuka, the 2011-2015 Minister of Finance, who took a doctrinaire International Monetary Fund (IMF) inspired line on the issue, and a former chair of the Fund's own Board, who on his own admission was not a supporter of ring-fencing. Other opposition took more shadowy forms. According to the Fund's executive director (interview 18 June), the several references to the audit and anti-corruption authorities to which unknown parties have subjected his organisation are to be interpreted this way. In other words, the Road Fund process has been stalled by the kind of scenarios that often occur in reform processes – many-stranded, shadowy, highly resistant to open advocacy and yet, for the same reasons, not obviously intractable.

The CrossRoads/RIC secretariat did contribute to the Road Fund cause by preparing and disseminating an excellent Issues Paper (RIC, 2013) on the economic waste involved in the maintenance backlog and the importance of rebalancing roads spending in favour of routine maintenance. However, it was ill-equipped and possibly disinclined to influence matters, either by more vigorous public advocacy or by pulling levers behind the scenes. One factor may have been that the Road Fund chair who was unenthusiastic about ring-fencing was also the chair of RIC and his non-activist style influenced that body too.

3 Building a national roads industry

3.1 Initial situation

An important secondary theme in our 2009 paper concerned the particular difficulties facing locally owned private firms, including both road contractors and consulting engineers, in getting established as substantial participants in the market. As we have seen, in 2009 there were indications that the volume of roads work was about to expand substantially. The proportion of the budget earmarked to routine maintenance also seemed set to increase. Locally owned contractor firms, mostly equipped at this stage for rehabilitation and maintenance of *murram* (gravel) roads, might be expected to obtain a more continuous flow of such work, with some of them breaking through into tarmac maintenance and even construction.

Obstacles to the realisation of this ambition were numerous at the time. The central government, through MoWT and UNRA, as well as district councils retained the authority to undertake 'emergency' works on a Force Account basis – that is, using its own staff and equipment. Emergencies were interpreted freely and often amounted to politically important interventions to secure the votes of a constituency ahead of an election. If it continued, Force Account would reduce effective demand for private construction services in precisely the fields of business where the local suppliers had existing capacity.

The capacity of the locally owned firms was admitted to be weak. Limitations on the consolidation of firms included poor business skills, the onerous financial guarantees required of companies tendering for work and the difficulty of retaining adequate staffing and equipment in the absence of a guaranteed flow of work. Assuming that the government of Uganda was interested in building up the local industry, if only to save on foreign exchange, there was a case for affirmative action – that is, the awarding of contracts to a select group of local firms identified on the basis of track record as having the potential to upgrade themselves to a higher level of operations. A National Construction Industry Policy, including several clauses supporting such an approach, had been in draft for six years before being published in January 2010 and officially launched in May 2011.

Slow progress in advancing this agenda was the result not only of government ambivalence towards the local private sector. The sector itself was heterogeneous and therefore ill-equipped to press its case. Many firms were side-line activities for business people with multiple interests, and some were in business more to take advantage of their close relations with 'godfathers' in the political and administrative hierarchy than to offer services in the market.[9] This meant shared interest in building the national industry – even to the extent of agreeing a common front on tendering issues – could not be taken for granted. There were, and are, industry associations: the Uganda National Association of Building and Civil Engineering Contractors (UNABCEC) and two bodies representing professional engineers (the Uganda Institution of Professional Engineers, UIPE, and the Uganda Association of Consulting Engineers, UACE) but the paid-up membership of these bodies was far below the level required either for assertive collective action or for self-regulation to enforce industry standards.

3.2 What has changed and what hasn't

One step forward, two steps back?

The operating environment for locally owned contractors appears to have improved in a few respects since 2009. Notably, UNRA has moved away from its initial policy of awarding maintenance contracts on an annual basis. It now offers term contracts lasting three years, which provide a more assured work flow for some contractors. This has contributed to a substantial (50%) reduction in the average tender price per kilometre for regravelling national roads, which is an outcome indicator in the CrossRoads logframe (DFID, 2014). Together with a number of CrossRoads initiatives, it has addressed some of the firms' most pressing concerns.

Working rather strongly in the other direction, the government's politically driven commitment to Force Account operations appears unabated. In 2012, the government imported a large volume of Chinese equipment (excavators, graders, etc.) for use by districts and UNRA stations around the country. A CrossRoads survey carried out a few years later found three-quarters of this machinery to be non-functional, for one reason or another. In 2015, the Force Account equipment stock was replenished with a new order of Japanese machines. This *de facto* policy, which is in sharp conflict with the 2011 National Construction Industry Policy, results in something between 20% and 30% of national roads maintenance by value being undertaken without private sector participation. It persists because it serves an important political purpose for the president and politicians in the districts.

On balance, the sector-wide context has not, or not yet, changed enough to enable significant upgrading by even the more established local companies. The proportion of suitable work going to locally based private firms may indeed have decreased. According to one interviewee's estimate, in 2009 there were perhaps six locally based firms on the verge of upgrading from *murram* to bitumen/tarmac rehabilitation work. Now there are most likely only three in this position.[10] The story for consulting engineers is probably more encouraging, as the new international entrants to the market have hired Ugandan engineers in significant numbers. Some upgrading of the professional skills of these engineers has resulted from a new level of interaction with international professionals. As for the contractors, CrossRoads has contributed several innovations that should facilitate firm upgrading in the near future.

9 To qualify this, a CrossRoads investigation did not find support for the widespread belief that failures in road maintenance are due to contracts being awarded to mere 'briefcase contractors' (RIC, 2014a).

10 This may be an unduly bleak assessment. In the absence of hard data to confirm or refute it directly, some encouragement may be derived from the fact that some 90 term maintenance contracts went to local firms in fiscal year 2014/15 according to the CrossRoads files. Also, in the UNABCEC register of firms in the roads sector, a number of firms have been reclassified in recent years from the E, D or C categories of capability into the B, A or A+ categories (source: Alex Mugova, pers. comm., 3 September).

Tackling market failures

The CrossRoads secretariat took up building the national roads industry as a major theme (CrossRoads, 2011; 2013). By common consent, several things have been achieved as a result. These achievements illustrate quite well the particular strengths of the M4P project method. As we have seen, recognising the lack of consistent representation of industry interests, CrossRoads invited nine senior figures from the sector to form the RIC. Although not a statutory body, the Council includes a number of respected senior figures from different sides of the national roads industry, which provides valuable authorisation and legitimacy to programme initiatives. Acting in effect as RIC's secretariat, programme staff began work by facilitating a series of diagnostic and prioritisation sessions with RIC members. The outcome of this process was a comprehensive list of potentially worthwhile interventions. These were adopted as the priority outputs of the M4P component of the programme at the end of its Inception Phase in mid-2011.

The RIC/CrossRoads output our informants rated most highly is the Construction Guarantee Fund, under which DFID offers financial guarantees to banks supporting firms to post the required bonds when bidding and receiving contracts for work.[11] Although bank credit remains costly in Uganda (with rates of around 24% per annum), this single intervention by CrossRoads has addressed one of the handicaps about which local contractors complained most bitterly in 2009. The banks participating in the scheme make decisions faster, in hours rather than days. Since up to this point there have been no reported defaults on supported bonds and guarantees, a useful side-effect has been to reduce the hesitancy of the banks about lending to construction firms.

In an effort to address the capabilities of local firms in terms of staffing and equipment, CrossRoads has also undertaken useful initiatives in the areas of training and equipment.[12] In cooperation with UNABCEC, the programme contracted a business skills training that seems likely to be regularised with other funding and a private provider. An equipment survey was commissioned, which revealed to general surprise that total availability of equipment in reasonable condition was not a problem. The main issue was the way the equipment was being used: it was being badly maintained and inefficiently operated. Attention shifted to the weakness of mechanisms for matching equipment to companies with contracts. Arrangements for equipment swaps and hire pools were explored, but were found to pose fairly serious challenges. Bank guarantees in support of commercial leasing are also being considered. To help alleviate the operational skills gap, CrossRoads installed equipment simulators at UNRA's equipment training centre in Luwero, allowing much-widened access to operator training courses.

The policy environment

The hardest of the challenges identified by RIC, however, was that of getting a more conducive policy environment for the upgrading of the national private sector. CrossRoads' answer to this challenge has taken the form of several initiatives to stimulate demand for policy change by generating and disseminating high-quality information. The methods adopted have included:

- The use of RIC as a forum for information-exchange and dialogue with officials.
- The production and dissemination in the media of RIC Issues Sheets, two-pagers on key topics;
- Preparation of a handbook of key documents (RIC, 2014b), available on the RIC website;
- Establishment of a road user satisfaction survey (RUSS), with its own website;
- Funding from 2013 of a loose coalition of civil society organisations with commitments to roads advocacy, including road safety and local-level monitoring of contracts, the Civil Society Coalition on Transport in Uganda (CISCOT);
- Support to Uganda's commitment to the global Construction Sector Transparency Initiative.

An unquestionable effect of this impressive range of activities has been a dramatic increase in the level of informed analysis and argument available to roads stakeholders in Uganda.

3.3 Missed opportunities

These gains notwithstanding, the policy environment is the area of slowest change for local industry upgrading, as it has been for public management in the sector. Leaving aside government insistence on continuing with Force Account operations, the framework conditions for the type of active industrial policy or affirmative action approach we visualised in 2009 remain weak. The principal stumbling block here is the failure to translate the long-gestating National Construction Industry Policy into law. Published in 2008 and formally launched in 2011, the policy requires enabling legislation, especially for the establishment of its centrepiece, a Uganda Construction Industry Commission (UCICO), a statutory body with executive powers. The necessary bill has languished for several years on officials' desks in MoWT, for reasons that

11 They include bid securities, performance bonds and advance payment guarantees. According to the CrossRoads secretariat, over 1,100 such bonds have been posted with the support of the scheme to date. For a full, comparative description of the scheme, see Cornish and Mugova (2014).

12 A range of other activities undertaken under RIC's authority are generally assessed as useful, without having any immediate impact on the operational capabilities of firms. They include the establishment of a challenge fund supporting roads industry research, mainly in technical fields such as innovations in slope stabilisation and research into the most appropriate low-cost road-sealing materials.

remain unclear, and there are now doubts as to whether it will reach Parliament ahead of the 2016 elections.

As the next section discusses, there are things that could be done that would function as proactive industrial policy short of a formal enabling framework. However, failure to obtain this key piece of legislation has to be considered a significant shortcoming, raising questions about the suitability of the approach to policy advocacy RIC and CrossRoads have adopted. Arguably, the stagnation of the Road Fund process should also be considered a significant missed opportunity for RIC, not because the solutions were obvious but because no direct actions to find one seem to have been considered.

It would have to be added that not much progress has been made in improving the sector's capacity for collective action on matters of common interest. Some of the obstacles are structural (the heterogeneity of the business) and some require assistance from clauses of the bill (a levy on contractors to support industry associations) but others could be alleviated by active steps to build trust and a sense of common purpose among groups of firms that share the same position in the current market. This is not a task for which the existing industry associations are equipped, given their mandate of representing the civil engineering industry as a whole.[13] It could, however, have been tackled in the framework of RIC and certainly might be considered in the future by any successor programme.

4 Future pathways

4.1 The pattern of progress and stagnation: what does it tell us?

The summary review of stagnation, progress and missed opportunities Sections 2 and 3 have provided reveals a certain pattern. Progress has been made in two ways. First, there has been a maturing of some of the general tendencies observed in 2009: roads spending has continued its upward trajectory, permitting the entry of new international players including the Chinese, which has begun to force down unit costs; road maintenance funding has also increased, although not as much as it should; and more of this have been allocated to term contracts, from which some parts of the locally based construction industry has benefited. Second, well-designed interventions under the CrossRoads umbrella to restrict malfeasance and improve technical quality in roads contracting and to address specific market failures hindering the development of a local construction industry have alleviated some chronic problems.

What hasn't happened

On the other hand, several big things have failed to happen, taken care of neither by the natural trajectory of the sector nor by aid-funded interventions. This pattern of failures is not haphazard and is not particularly surprising. The relatively poor performance of the Bank-led TSDP is, we have argued, typical of the record of reform initiatives that rely on organisations to transform themselves without any other incentive than a formal agreement to do so and the offer of a Bank credit and technical assistance. The relatively better performance of the DFID-led parts of the programme, which provided scope for independent action and some flexibility in selecting initiatives, is no surprise.

Less obviously, perhaps, the flexible parts of CrossRoads did best when either they were in a position to implement a tried-and-tested technical device – parallel bid evaluation, preparation of a manual, etc. – or they could apply the methods of M4P to good effect (bank guarantees, skills training, surveys, etc.). They did less well on achieving significant policy change and facilitating collective action solutions, partly because these things are inherently more difficult and partly because the M4P toolbox is rather weak in this area.

From our examination of the evidence, we find the apparatus CrossRoads set up to handle the policy advocacy challenge was not up to the task. Establishing RIC was an excellent idea, but as constituted and led it was insufficiently outgoing to realise the potential. The well-connected and respected individuals included in the group did not debate matters of common interest, such as the government's Force Account policy, as vigorously as the secretariat had expected. Nor did they make effective use of their position to influence key decision-makers on these issues, either publicly or behind the scenes. Instead, RIC relied on formal exchanges with government officials and writing letters. These are familiar, low-risk ways of engaging with government in Uganda, especially attractive to pressure groups whose members are rivals in attracting government business. They generate a perceptible level of influence without exposing anyone unduly and have an extremely limited record of actually altering the course of events.

The limits of information

CrossRoads, with RIC as its figurehead, has certainly generated an impressive output of information and analysis, with significant dissemination through the media and civil society. However, this type of activity has well-known limitations. Pursuing policy change by generating relevant information and fomenting civil society advocacy is a 'safe' avenue of approach. It is unlikely to get the programme into trouble. Unfortunately, it does not rest on a realistic theory of change, a sound, evidence-based appreciation of the causal mechanisms

13 CrossRoads has rightly shied away from subsidising membership organisations, limiting itself to making association membership a condition for access to the Guarantee Fund.

by which institutions and policies sometimes shift in progressive ways in developing country contexts. As our 2009 stakeholder analysis underlined, there is no pent-up demand (as distinct from need) for more and better roads in Uganda; the 'demand side' of the equation is beset with conflicts of interest and barriers to collective action.

Change is more likely to be achieved through smart action – cutting across the ill-named 'demand' and 'supply' sides of the reform process – to nudge key stakeholders into action or into changing their perceived self-interest.[14] In a political system as presidentialist as the Ugandan one, smart tactics should be expected to include both formal and informal efforts to get and hold the interest of the 'big man'. They need to be attentive to the imperatives of his patronage-based system of rule, which can mean socially desirable policies will be blocked indefinitely because vested interests opposed them. But they should also admit a measure of uncertainty. When President Museveni, for one reason or another, is persuaded to take action on an issue, the blockages can dissolve with remarkable speed.[15]

M4P: missing politics

Giving close attention to facilitating change 'against the odds', capitalising on the complex and uncertain interactions at the heart of structural reforms, was one of the things we recommended in 2009. We also endorsed the idea of applying M4P principles, especially the willingness and ability to work flexibly towards the solution of problems. We failed to recognise, or did not make sufficiently clear, that the strong point of M4P lies in identifying and addressing creatively significant market failures, while several of the blockages we had been discussing were failures not of markets but of leadership or collective action. We discussed the skill-set that a process project with a change facilitation remit would require but underestimated the likelihood that an information-centred 'demand-side' advocacy approach would be the preferred option in taking this forward.

In a number of respects, successive Annual Reviews of the programme have picked up these concerns. The first recommended a move towards greater advocacy and policy engagement, and an additional staff member was hired to take this forward. The most recent (DFID, 2014) queried the current level of policy engagement and urged more activity with parliamentarians. However, adding on an advocacy specialist – in a senior post but without a well-defined role – was an understandable failure. And, for reasons we explain below, we are not sure the term 'advocacy' captures well the particular types of missed opportunity we see as most important.

4.2 Unfinished business

In at least two areas, the experience of the past six years has left unfinished business in the Uganda roads sector. In combination with applicable international experience, the lessons of this period also point to ways of tackling these challenges. CrossRoads, while making real headway in alleviating certain constraints, has also served to reveal the resources available for the task. International experience suggests ways of combining and deploying these resources that might enable successes that have so far eluded the sector.

The policy framework

The first area of unfinished business is ameliorating the policy and institutional framework governing Uganda's road network. In particular, ways need to be found of:

- Establishing an enduring equivalent of the parallel bid evaluation system;
- Completing the Road Fund's transition to guarantee adequate funding for routine road maintenance;
- Getting early passage of the bill on the national construction industry and any other legislation needed to authorise more vigorous firm-level initiatives.

Experience suggests action on these points needs to be politically smart, proactive and coordinated. There is no point in promoting 'best practices' if these are known to be inconsistent with powerful political incentives (Levy, 2014). Action needs to be sensitive to the collective action problems that inhibit formal pressure group formation, and to be willing to take initiatives informally that get around these blockages. While being attentive to the political realities (centrally, the need of politicians to use roads to win votes) and making full use of informal networking methods, the necessary action needs to be prepared to move between technical matters, intra-governmental processes and parliamentary affairs. It should be based on an ability to coordinate the various friends of the roads sector with experience, influence and social networks in these respective fields.

RIC is a good start, since it brings together an impressive aggregate experience and potential for influence. But we have the impression RIC has allowed itself to be unduly passive and reactive. It has not been self-driven by reformist zeal – the preferable scenario – or stimulated, cajoled, bullied and/or shamed into spending its political

14 This might well be assisted by smart use of the media to encourage ministers and officials by commending them for their promises as opposed to berating them for their failures.

15 We know of several episodes in different sectors that support this contention. They include paying off government arrears to the National Water and Sewerage Corporation that had become a barrier to extending service provision; protecting the foreign investors in the electricity supply company Umeme against a misinformed campaign in Parliament; and establishing a Medicines and Health Services Monitoring Unit in response to chronic issues in the health sector.

capital on the achievement of change – the more realistic option. Opportunities have been missed to harness the individual efforts of RIC members to specific influencing tasks, such as getting the ear of the president. More might have been done also to co-opt, formally or informally, potential allies with political skills and convening powers RIC members may lack.

For example, on the issue of the Road Fund, it seems clear opponents of the Fund and its scheduled transition to a 'second-generation' role have been active behind the scenes, relying more on informal lobbying than on rational argument in the public domain. This should not be considered unusual, but it has implications. Experience in economic sectors in the Philippines (Booth, 2014) would suggest progress in reform can be mightily assisted if the progressives are prepared to match the opposition's smart operations with some of their own. In the right circumstances, this can include engineering the removal of an obstructive committee chair and their replacement with a more facilitating leader.

A much more activist engagement with both MoWT and Parliament would surely be possible using no more than the existing resources and friends of RIC. To be sure, RIC members were selected as leading figures in the industry, meaning that, almost by definition, they themselves will be too busy to provide the necessary coordination. They may not, however, be too busy or unmotivated to contribute in punctual ways to informal lobbying and pulling of strings if this is organised with the right combination of stimulation, cajoling, bullying and shaming.

As well as underlining the limitations of classic advocacy, experience in the Philippines and Nigeria (Booth and Chambers, 2014) suggests not-for-profit foundations and civil associations may be best placed to provide the coordination and other behind-the-scenes activities that are needed for effectiveness in reform promotion. In these instances, a donor-funded project or other intermediary provides limited funding and 'coaching' but does not steer or pre-specify the agenda in any detail, recognising that ways around typical reform blockages are hard to find without trial and error. This principle is central to the M4P approach to market functioning, but it applies even more strongly to the politics of reforming the policy context in which markets operate.

CrossRoads' support to the Civil Society Coalition on Transport in Uganda (CISCOT) has revealed some potential for reform partnerships of this sort, but it should be clear the unfinished business to which we are pointing is unlikely to be susceptible to traditional civil society- and media-based advocacy. Therefore, funding non-governmental organisations (NGOs) and NGO networks to do the usual donor-prescribed things – making service users aware of their rights, publicity to 'hold government to account', etc. – is not what is called for. Moreover, the model works best when the non-for-profit entity originates independently of the donor support or for other reasons is largely self-motivated around a self-defined reform objective.[16]

Two kinds of flexibility

Effective working on policy reform calls for more than one kind of alertness, agility and flexibility. One of these, to be sure, is the ability to respond quickly to unforeseen opportunities. In the Uganda system, these can be very unexpected and quite dramatic in their implications. This is perfectly illustrated by the very recent appointment of the highly reputed former head of the Uganda Revenue Authority (URA), Ms Allen Kagina, as the Executive Director of UNRA in the wake of the Mukono-Katosi scandal. Particularly in combination with the promotion of the previous Minister of State, Hon. John Byabagambi, to full Minister for Works and Transport, this provides a propitious conjuncture on several counts that could not have been anticipated.

If the new executive director has really been empowered by President Museveni to do the kind of corruption clean-up job in UNRA that she undertook at URA, an important systemic constraint has been loosened. This cannot be assumed but it is a possibility. Meanwhile, the new minister is known to be far more attuned to RIC's arguments than his predecessor, and he has already demonstrated his willingness to act on his convictions.

Ability to respond to such moments of opportunity is important. Our impression is CrossRoads has been given some of this kind of flexibility, although pressure to comply with DFID disbursement plans has not been lacking. Certainly, the original Project Document contained in its Annex G 'Implementation Arrangements' quite a full justification for assuming a high level of unpredictability in the change process and viewing the project's role as that of a 'social entrepreneur' (DFID, 2009).

It is important, however, that flexibility *not* be conceived solely in terms of the ability to move resources among fixed pogramme components or logframe outputs as the structure of opportunities changes. Flexibility should also refer to the necessary element of learning by doing when seeking change in a complex system. It should arise from recognition that some aspects of 'what works' cannot be known and planned for in advance and need to be discovered by trying out avenues of advance that seem promising and then adjusting rapidly, using some form of rapid-cycle evaluation (Andrews et al., 2013; DDD, 2014; Faustino and Booth, 2015; Ramalingam, 2013). It cannot be said that CrossRoads enjoyed much of this sort of flexibility. Almost all of the elements of the programme were specified in advance in the Project Document.

16 See especially the description of the teams of 'development entrepreneurs' responsible for major reforms in the Philippines (Booth, 2014; Sidel, 2014).

Filling the gaps on industrial policy

The second area of unfinished business we propose is proactively helping build a robust locally based roads industry. The M4P approach adopted by CrossRoads does a good job of identifying and addressing a certain class of market failures – those affecting the ability of local firms to win contracts based on their current capabilities and deliver against them, profitably, efficiently and on time. It has been possible to make progress in tackling these constraints in relatively hands-off and disinterested ways, without getting into close relations with particular firms or subsets of firms. Arguably, however, this rests on a narrow, rather static, understanding of market failure and would benefit from some of the more dynamic thinking associated today with the phrase 'industrial policy' (Cimoli et al., 2009; ECA and AU, 2014; Stiglitz and Lin, 2013).

In principle, industrial policy is a matter for states. In a few African countries, governments are committed to actively building up a local private sector, purposely subsidising learning and capability acquisition by selected firms (Stiglitz et al., 2013). It is not entirely clear that in these cases governments are going to deliver the combination of inter-temporal consistency and smart tactics needed to make these initiatives a success. However, the government of Uganda has not even taken the first steps and may not be able to do so; short-term political considerations weigh very heavily against coherent industrial policy in this as in other sectors of economic life. Nonetheless, passage of the hoped for act on the construction sector and the inauguration of the expected statutory body, UCICO, will certainly be helpful, especially if the act includes the clause that was in the first draft requiring international firms to subcontract at least 20% and 30% to local contractors and consultants, respectively. It should provide stronger authorisation for non-state initiatives in support of the capabilities of subsets of local firms that have demonstrated clear potential for upgrading.

Our suggestion here is that non-state players can undertake at least some actions that serve as functional equivalents of an industrial policy. Even in the current legal framework and regulations, industry insiders consider there would be scope for selective and conditional assistance to a carefully selected cohort of upgrading firms. This would involve taking several steps beyond the current CrossRoads-supported efforts in MoWT to register and classify suppliers, permitting a more rational prequalification of bidders. We understand, however, that the CrossRoads secretariat has done a good deal of the necessary analytical work, at least in respect of the road maintenance programme.

Brokering trust

An alliance of forces would be needed to carry this off. This would have to include UNRA managers who believe (as some do) in the reservation of contracts of a certain scale and difficulty for local firms that have met appropriate pre-qualification criteria. Expertise to interpret PPDA regulations correctly would be essential. This would need to be joined up with technical assistance to provide the necessary 'hand-holding'. In particular, help would be needed to draft the 'semi-finished' scheme proposal that is currently the main missing link between those interested in activist industrial policy initiatives on either side of the tendering relationship. And, of course, the alliance would need to include some company executives, perhaps half a dozen of them, who would have to submit to the performance criteria required for participation in the scheme beyond the initial pilot. A measure of high-level political authorisation and a considerable degree of trust among the points of this industrial policy triangle[17] would be essential. Brokering the relationships to build this trust would be a key activity.

A successor to CrossRoads could be well placed to facilitate the kinds of relationship-building that seem crucial to each of the two types of unfinished business identified here. As we wrote in 2009, the human resources such a programme deployed would be key to success. The funding agencies would also need to manage the programme in a way that permitted the necessary flexibility – not just the freedom to be opportunistic but also the authorisation to work adaptively, learn by doing and apply this approach not just to the traditional terrain of M4P but in addition to the politics of policy reform. This would mean not over-designing the programme at the outset and finding implementers with both the desire and the ability to become reform entrepreneurs: adaptive and smart about the politics of reform. This may well prove a challenge for either the donors or the service provider or both. But for DFID, at least, it is a challenge that is already firmly on its agenda.

4.3 The challenge for funders

In DFID, there is already a strong internal dynamic to make project and programme contracting more friendly to adaptive programming and contract management. The 'smart rules' adopted in 2014 (DFID, 2015; Vowles and Wingfield, 2014) already permit advisors to relax some of the conditions imposed on bidders that show interest in adaptive, politically smart approaches. This new freedom goes hand in hand with a requirement that advisors and heads of office assume greater ongoing responsibility for the contributions to development outcomes that result, and it has still to be demonstrated that this will be attractive to more than a minority of DFID senior staff (ICAI, 2014).

17 Case studies of exceptionally successful productive sectors in contemporary Africa suggest they are invariably the result of close collaboration, robust mutual accountability and trust among politicians, sector officials and private entrepreneurs (Whitfield et al., 2015).

There are nevertheless already some grounds for believing the flexibilisation of DFID rules is currently running ahead of appetite to seize the corresponding opportunities on the part of service providers. There is certainly a job to be done to gear up suppliers to exploit the opportunities the smart rules promise.

In this connection, it is worth noting there are existing models for channelling donor support to reform initiatives that involve intermediaries that are not profit-making service providers but non-profit entities eligible for conditional grants (Booth, 2013). TradeMark East Africa is a good example in the region. The Budget Strengthening Initiative is a comparable case with a more specific remit. The role of The Asia Foundation in the Philippines and other parts of Asia provides a third model of 'arm's length' working with donor funds. These models suggest options that may be relevant to the next phase of DFID support to roads sector reform in Uganda.

We would not want, however, to overstate the preparedness of DFID to procure and manage the type of service provision from which a CrossRoads successor programme would benefit most. The raft of guidance on business plans, logical frameworks and performance-based financing that DFID senior management issued in 2011 (DFID, 2011; etc.) is still in place, and the default position seems to be that this guidance applies unless and until something similarly rigorous is put in its place. In other words, service providers are invited to work flexibly with instruments of planning, reporting and accountability that are inspired by 'blueprint' planning concepts and the illusion of certainty. Until now, even non-profit grant recipients have been reviewed annually on the basis of predetermined outputs and outcome milestones. The recent Independent Commission for Aid Impact (ICAI) assessment (2015) underlined the perversity of this system from the perspective of actually guaranteeing strong contributions to development results.

This may not change until projects and programmes come up with their own tools for conducting and tracking a rigorous form of experiential learning, using one or other of the existing models of rapid cycle evaluation (Hargreaves, 2014; Patton, 2011; Pritchett et al., 2013). The relevance of these models to future DFID support to the roads reform process in Uganda is beyond doubt.

5 Final reflections

In our 2009 study, we offered a fairly bleak perspective on the political economy of possible change in the Uganda roads sector. We warned against the assumption that the new formal institutions and signs of enhanced government interest in national roads that made their appearance in 2008 would bring with them fundamental changes in behaviour. Our stakeholder analysis made clear the odds were stacked quite heavily against the emergence of a strong coalition of forces favouring more efficient public spending on roads or effective support to the national road construction industry. More positively, however, we drew attention to international experience suggesting the possibility of progress 'against the odds' in comparably challenging sector reform situations. We cited DFID projects employing the approach known as M4P as illustrating the potential of donor-funded interventions to contribute to this type of change.

It is with no great satisfaction that we have found support for our initial assessment in this retrospective review. The Mukono-Katosi contract scam illustrates all too clearly the informal system at the heart of the politics of roads in Uganda is alive and well. It is significant that the most recognised element of progress in the public management of roads investments since 2009 is a donor-funded technical device managed in the UK. Other worthwhile interventions funded under the CrossRoads umbrella have included several M4P staples, such as credit guarantees, training schemes and information campaigns. Together with the basic design idea of setting up a RIC to give authority and legitimacy to programme activities, these are important and worthwhile contributions. On the other hand, the list of missed opportunities is quite long, and some of these have to do with things we stressed in our 2009 stakeholder analysis, such as the absence of effective demand for sector reform and the need to break away from conventional demand-side advocacy.

The items of unfinished business are also numerous. They have in common that they are very challenging and are not open to solutions that can easily be pre-programmed. For example, even those who are much more familiar with the sector than we are do not have a ready-made solution to the under-funding of routine road maintenance, either through the budget process or through the legislation of a fully fledged Road Fund. They may have working hypotheses, but they would admit that these need to be tried out, with lessons rapidly learnt and used, if necessary, to shape another approach. The same applies to the feasibility of a sustainable arrangement to perform the functions of parallel bid evaluation. Similarly, in building the national roads industry, the politics of getting the missing legislation onto the statute book calls for agile operations – including but not limited to smart use of information for advocacy – in a complex web of actors, relationships and partly unseen political forces. Lastly, the 'industrial policy' interventions we are suggesting (with the encouragement of some of our most lucid interviewees) would require a strong element of purposeful trial and error.

All this adds up to a very exciting challenge for any successor programme to CrossRoads. It is clear such a programme should be designed to tackle the handful of issues we have identified as unfinished business. However, it should not be over-designed at the outset, and should take on board all of the international experience and new thinking about politically smart adaptive working that has matured since we reported in 2009. Reflecting back on our previous recommendations, we were not wrong to point to M4P as a good source of design ideas. But we were less clear than we should have been that the M4P toolbox needs supplementation when it comes to the politics of policy reform, and ought also to be strengthened with broader thinking about market failures, drawing on the recent industrial policy literature. From the perspective of funding agencies and the range of possible implementing partners, an additional source of excitement is how to marry up adaptive programme designs with the ‘smart rules’ now being used to pioneer the approval of innovative programme designs by DFID offices.

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