Chapter 2

DEVELOPMENT THEORY: THE ROLE
OF FINANCE AND TRANSPORTATION

2.1 The concept of development and its evolution

2.1.1 Definition

Development is something to which we all aspire and ideas about the best means of achieving our own aspirations and needs are potentially as old as human civilisation. The study of development however, has a much shorter history, really dating back only as far as 1950s when colonial territories started to assume independence (Elliott, 1994).

Since the late 1960s, there have been changing perceptions and internalisation of the concept of development. However, some authors have attempted to define the concept although largely in economic terms. Waseem (1965: 40) states that, "If development of human resources and change in social attitude and social relationship is brought about side by side with economic growth, then there would be economic development and only this would lead to cumulative growth."

In addition, Elkan (1973: 15) defines development as, "... a process which makes people in general better off by increasing their command," purchasing power or effective demand, "over goods and services and by increasing the choices open to them." He however, goes ahead to say that "this definition has certain
implications that one has simply to swallow in order to escape from endless terminological squabbles. It means, for instance, that if output increases no more rapidly than the growth of population .... or if the whole of an increase in output is devoted to building up a country's military strength or putting up monumental public buildings with which to impress the population and foreign visitors, then that is not economic development."

Development is also taken to mean a product of learning, not of production: learning how to use oneself and one's environment to better meet ones needs and those of others. That is, because the development process is a learning process, one cannot learn for another, but he can help another learn for himself. Even a government cannot develop a country, it can only help its country develop itself. In addition, development in this context is viewed as being people-centred and that only the people themselves can define what they consider to be improvements in the quality of their lives. Hence, the participation of people in policy formulation and implementation towards development is very important (Korten and Rudi, 1984).

Yet Cho (1990: 42) defines development as, "...a concept with dual implication of growth on the one hand and improvement on the other." To him, "growth encompasses not only economic growth such as per capita GNP and gross national product (GDP), but also socio-cultural growth in which the values and aspirations of any particular group of people are further enhanced, progressing
from one level of wealth and well being to a higher level. In terms of enhancement, there can be improvements in the quality of life, coupled with the quantitative indices of standard of living: housing, water, power, telephone and car ownership."

Furthermore, Robert McNamara who once headed the World Bank in the period 1968-81, and who greatly contributed to the international development movement, noted that, "... in development what is required are the relevant economic indices that go beyond the measure of growth in total output and provide practical yardsticks of change in economic, social and moral dimensions of the modernising process." He went ahead to say that "although an increase in the GNP may be a necessary condition of development, it is not sufficient. Both, qualitative and quantitative goals of economic development must be pursued. And if only one-sided goals are achieved, then there is no development"(McNamara, 1981: 13).

Clark (1991: 23) broadly defines development as, "... attacking the web of forces that cause poverty. This demands that equity, democracy and social justice be paramount objectives, alongside the need for economic growth. It must enable the weaker members of society to improve their situation by providing the social services they need and by enabling them acquire the assets and improve the productivity of those assets. It must combat vulnerability and isolation. It must ensure the sustainable use of natural resources and combat exploitation,
particularly the oppression of women. And it must make the institutions of society accountable to the people."

Simon (1996: 7) defines development to include, "both qualitative and quantitative aspects and it is difficult to measure as a whole". He goes on to say that, "development is a long-term process, involving changes which may take a considerable period to become visible or to work through the system fully".

Hence, the above definitions of development suggests that man and his needs are central in any development efforts, and any attempts made towards achieving development without putting man into consideration are likely to be futile. In addition, man’s problems are not only economic as it was initially thought but also encompasses social, political and the environmental endeavours. Moreover, the environmental concerns do not have to arrest developmental activities but should be exploited to chart out a holistic and sustainable approach towards development.

2.1.2 Changing perceptions about development

The post-War world was Keynesian. The British economist, a leading architect of the Britton Woods institutions, was closely identified with theories that linked economic growth to capital investment. During the reconstruction process of Europe, after the Second World War, capital was taken as an important component of the entire programme (Browne, 1997).
When the colonial territories began to achieve their independence in 1950s, a need to develop them arose. In December 1961, the United Nations' General Assembly unanimously adopted a resolution designating the 1960s as the First United Nations Development Decade for promoting social and economic development in all undeveloped countries. According to the UN's resolution, the undeveloped countries were to strive to register an average annual GDP growth rate of 5% during the First Development Decade. The resolution also called upon all developed countries to increase their aid efforts to the undeveloped countries so as to meet the 5% growth rate objective.

During that time, the concept of undeveloped countries was defined in terms of observable differences between the rich and poor countries. Most scholars saw no difference between undeveloped and underdeveloped countries. The true meaning of development was to bridge the gaps which existed between the industrialised and poor countries. This was to be done by means of an imitative process in which undeveloped countries eventually assumed the qualities of the industrialised countries (Blomstrom and Hettne, 1984). And since American capital aid had done a trick by rapidly developing Europe during the Marshall Plan, then the same was to be emulated but this time by aid from all developed countries (Corbridge, 1993).

By the late 1960s, most of the developing countries had met the UN's economic
target of an average annual growth rate of 5% (see table 1). But the very countries were facing enormous problems of: Poverty, malnutrition, illiteracy, shelter, disease, unemployment and population explosion. They achieved economic growth but without development. In fact some authors like Leng (1983) and Browne, (1997), have referred to this period as a period of "Development Crisis". The trick of economic growth associated with trickle-down effect failed to solve social and economic problems in the developing countries.

In addition, the donor countries were also greatly disappointed with the failure of their aid efforts towards solving the problems in the developing countries. This was later followed by what some writers have called "aid fatigue": for the donors saw no need to continue aiding a situation of "no improvement" in the developing countries.
Table 1: World economic performance during the First UN's Development Decade

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<tr>
<td>Developing countries</td>
<td>1,638</td>
<td>5.1</td>
<td>5.8</td>
<td>5.9</td>
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<tr>
<td>Developed market-economies</td>
<td>739</td>
<td>5.2</td>
<td>4.5</td>
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<td>Centrally planned economies</td>
<td>348</td>
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The disappointment and a general feeling of resignation were not only experienced by donor countries but also those who were pursuing the theory of development, as it was then called. Blomstrom and Hettne (1984: 26) for example, quotes various authors who were working on the development theory in the late 1960s. They quote Schiavo and Singer (1970) to have stated that, "a theory of economic development has not emerged, at least not in the sense that we can identify a price theory, or a pure trade theory, or even a theory of growth. For development is not merely economic growth, it is growth accompanied by social and economic structural change. It is perhaps inevitable that the impossibility of using a ceteris paribus approach to problems of development should engender difficulties in constructing a unified theoretical framework." In
addition, "... a single body or theory about development is as unlikely to emerge as it is about any other social theme engendering political conflict and sharp intellectual divergencies" (Bernstein, 1973). Yet Higgins (1968) wrote that, "the appeal to other social sciences for help has also been heeded. Sociologists, psychologists, political scientists, anthropologists are flocking to the development field...yet we seem as far from a general theory as ever..." (Blomstrom and Hettne, 1984: 26)

It should be noted that before the late 1960s, the contribution of other disciplines to the development theory, as it was then called, was very minimal and economics dominated in that context. And it is no accident that development was and is still largely perceived in economic terms (Blomstrom and Hettne, 1984).

Furthermore, neoclassical Malthus ideas about population growth became dominant during that time. According to Malthus's original work, it was thought that population rates could not be matched by food production and the consequences of this could be seen in terms of starvation and premature deaths. Among the proponents of Malthus's ideas was Meadows. Meadows reached an extent of predicting the doomsday using Malthus's population growth and food production ideas. His neoclassical ideas were framed into a "doomsday theory". But Meadows received strong criticisms which forced him to revise his projections by introducing potential technological improvements which could postpone the menacing crisis or doomsday (Hershlag, 1984). Hence, this reveals
how difficult formulation of the development theory as was then perceived had become to those who were working on it.

In the 1970s, the confrontation between economic growth and development continued. The United Nations declared this period as its Second Development Decade with a target of an average annual GDP growth rate of 6% for all developing countries. The development strategy was re-examined by incorporating in the Basic-Needs concept or Growth-with-Equity or Distribution-with-Growth (see Figure 3). Unlike before, man and his basic needs were now placed at the centre of the entire development strategy. The problems facing man were now to be dealt with at both macro and micro levels.

In addition, the re-examination of the economic growth strategy in 1970s compelled multilateral financial institutions like the World Bank, the Asian Development Bank and the African Development Bank to include projects related to health, population, poverty eradication, education, shelter and unemployment on their lists of eligible projects for financing. For example, on the issue of population, India's population was increasing annually by over thirteen million people (an average of 2% per year). This trend prompted the Indian government under Indira Gandhi to perform seven million sterilisations from April 1976 to January 1977. The World Bank greatly financed such moves that were aimed at arresting problems which were perceived as big impediments to economic development. However, the above practice created public resentment to the
Figure 3: The Traditional Strategy

1. Investment
   Domestic sources
   Capitalists
   Government budget surplus
   Foreign sources
   Foreign assistance
   Private investment
   Receipts from trade

2. Capital creation

3. New sources of energy, electricity, petroleum, etc.

4. Increased production

5. Increased employment

6. Increased income

7. Increased saving

8. Basic needs met

9. Population healthier, better educated

10. More productive workers (human capital creation)

Source: Hurni Bettina S. (1980)
family planning programmes in India and was a major factor for the defeat of Indira Gandhi's government in the 1978 general elections (Elliott, 1994).

Like the First UN's Development Decade, the Second Development Decade was experienced by increased economic growth as measured by the GNP but with largely little development impact. The UN's development strategy was largely thwarted by the Mid-1970s Global Oil Crisis. During the crisis, huge costs were incurred by the developing countries as they heavily borrowed to fill their foreign exchange deficits (Cheru, 1989). In 1972, the UN sponsored a Conference on Human Environment. But its recommendations were not taken seriously by the developing countries: for they feared that their well-being was threatened by those who were well off and to the developing countries, protecting the environment to which they make constant calls for their livelihood was less important.

However, the 1980s were years of the Third United Nations Development Decade. During that period, the concept of development assumed a new shape. The international community began to talk of Sustainable Development. According to the report which was published by the World Commission on Environment and Development (WCED) in 1987, the core issues in sustainable development are; population and development, food security, species and ecosystems, energy, industry, the urban challenge and participatory democracy.

In addition, development in 1980s was seen as a multidimensional concept encompassing widespread improvements in the social as well as the material well-
being of all in society. There was also recognition that no single model could deliver development to the problem people and that investing in all sectors was equally important. But all this was to be done within the framework of sustainable development: encompassing not only economic and social activities, but also the impacts of those activities on the environment.

Despite all the above initiatives to broaden and pursue development from various angles, the 1980s were largely a failure in terms of development for most developing countries. In East Africa (particularly Ethiopia), famine led to the demise of many people. Some Latin American countries like Mexico and Venezuela became heavily indebted and even declared themselves insolvent (Corbridge, 1993). In addition, many poor countries in the Sub Saharan Africa could not meet their external debt obligations. They had massively borrowed from various sources in the 1970s to fill their local resource gaps (Cheru, 1989).

In the 1980s, an average per capita incomes fell by about three per cent per year in Sub Saharan Africa and about 1.3 per cent in the highly indebted countries, cumulatively over the decade of 1980s by as much as 25 per cent for Africans and 10 per cent for Latin Americans (Miller, 1989).

During the Fourth United Nations Development Decade (1990s), perceptions about development were further broadened. The end of the Cold War meant that the communist system of governance which was so restrictive was to be replaced
by the Western liberal democracy and free market economic system. This has largely been true especially in the countries which initially formed the Eastern bloc. Economic reforms in those countries have gone hand in hand with democratic reforms as demanded by the Western donor governments. Hence, the 1990s saw the beginning of a process to democratise development. Various non-governmental organisations (NGOs) were formed to participate in the development programmes of developing countries.

Furthermore, aspects like children’s rights and women rights, transparency and accountability were also perceived as important components of development in the 1990s. Several international conferences were also held. These included; on education (1990), children’s rights (1991), environment; Earth Summit in Brazil (1992), human rights (1993), small island states (1994), population (1994), social development (1995), women (1995) and human settlements (1996) (Browne, 1997).

The period also witnessed the application of the Human Development Index (HDI) in measuring human progress by the United Nations Development Programme (UNDP). The HDI was first applied by the UNDP in 1990 and it has so far proved to be a better measure of human development than the traditional one of GNP. This is because it touches development disparities existing among different groups of society; gender groups, income groups, ethnic groups, regions, social classes and rural and urban settings. The HDI comprises three elements:
the real purchasing power of GNP per capita, an indicator of material standards of living; the average of schooling, as a proxy for educational and cultural opportunities; and average life expectancy at birth, as an indicator of the general level of access to health facilities. Countries are rated on a scale of 0-1, with 0-0.499 representing low levels of human development, 0.5-0.799 medium levels and 0.8-1.0 high levels of human development respectively (Simon, 1996).

However, the 1990s were also not far different from the previous Development Decades. Many developing countries remained trapped in the debt problem while others continued to be politically unstable. For example, in Africa, particularly, the Democratic Republic of Congo, Angola, Somalia, Rwanda, Algeria, Sudan and Burundi remained war zones. In addition, to persistent poverty, Sub Saharan Africa has been devastated by the AIDS disease.

Although some problems have become persistent in most developing countries, the situation is a bit better than that of 1960s. The people live a bit longer, literacy levels have increased and nutritional levels have also improved in most of these countries. Even some countries which were lumped together in 1960s as being undeveloped enjoy almost the same conditions as those in the developed countries. Some countries like Taiwan, Singapore, South Korea and Hong Kong recently assumed a status of Newly Industrialising Countries (NICs) and others like Malaysia, Indonesia and Thailand are yet to join.
However, the occurrence of the Asian financial crisis has generated much debate on whether the NICs can still offer a lesson for other developing countries. Some authors like Ries (1999) and Krugman (1999) have argued that the Asian financial crisis largely revealed how the state-directed capitalism was defective (prone to corruption and mismanagement) and that the Western economic model had won the development debate. Yet Jomo (1998) stresses that the Asian financial crisis left doubt on whether resources will ever permanently flow from the traditional Western capitalist countries (centre) to the developing countries (periphery). This was because of the massive outflow of capital from the region during the crisis.

2.2 The dependency approach

2.2.1 Definition

Loosely defined, the dependency approach is a product of the critical position of various Latin American economists (especially those who served at the Economic Commission for Latin America in the 1940s and 1950s) against the conventional Western development approaches: the classical and neo-classical schools of thought. The central ideology of the dependency school, however, is that the international economic arrangement only worked in favour of the industrial countries and forced developing countries to rely on the former for technology, finance, and market for their low priced primary products (Blomstrom and Hettne, 1984).
2.2.2 Origins of the dependency approach

According to Blomstrom and Hetne (1984) the dependency school emerged from the convergence of two intellectual trends: one is often called neo-Marxism, and the other is rooted in the earlier Latin American discussion on development that ultimately formed the United Nations Economic Commission for Latin America (ECLA) tradition. The indigenous Latin American debate on underdevelopment reflected specific economic and intellectual experiences in various countries, particularly during the Great Depression of the 1930s.

Prior to the depression, economists and politicians had unlimited faith in the free market economy towards achieving a high growth rate and efficiency. However, as the depression set in, much of this faith in the system was lost and for the first time government intervention in the market was justified (Chopra, 1974). Since Latin America had been one of the casualties of the economic crisis that subsequently followed the Great Depression, economists in the region were forced to exercise their mind towards formulating alternative development approaches to those of the West.

It was upon such a background that many economists at the ECLA became too preoccupied with the dependency theory. The dependency theory is based on the
premiss that economic retrogression in the developing countries is a result of excessive reliance on the rich countries (Blomstrom and Hettne, 1984).

One of the most prominent dependency theorists is Raul Prebisch, from Argentina. Before becoming head of the ECLA in 1950, Prebisch was Director-General of Banco Central in Argentina, a country that was severely hit by the 1930s depression. Prebisch's idea of centre-periphery structure in the global economy was explicitly covered in his early writings concerning Argentina. In these writings, he strongly advocated for an import substitution strategy (inward-looking industrialisation) as a remedy for the weaknesses associated with the neo-classical ideology of free international trade. He is quoted to have stated that, "In Latin America, reality is undermining the out-dated schema of the international division of labour, which achieved great importance in the nineteenth century and, as a theoretical concept, continued to exert considerable influence until very recently. Under that schema, the specific task that fell to Latin America, as part of the periphery of the world economic system, was that of producing food and raw materials for the great industrial centres. There was no place within it for the industrialisation of the new countries. It is nevertheless being forced upon them by events. Two world wars in a single generation and a great economic crisis between them have shown the Latin American countries their opportunities, clearly pointing the way to industrial activity" (Blomstrom and Hettne, 1984).
From the above passage it is clear that Prebisch saw the causes of Latin American underdevelopment in the defective international trade relationships that existed between the periphery and the centre. The periphery specialised in the production of primary goods whose prices were largely determined by the demand in the centre while the centre produced industrial goods which the periphery consumed willingly. To Prebisch, this kind of international trade arrangement only worked in the favour of the centre and if the periphery was to progress, there was need to institute measures which could reverse the dependence approach. One of such measures, he said, was import substitution. Hence, it is no wonder that many Latin American countries embarked on an import substitution strategy towards development during the 1940s and 1950s.

Unlike its counterparts (the Economic Commissions for Asia and Africa), the Economic Commission for Latin America under Prebisch vigorously ventured into different development approaches from those of the West. This approach enabled the region to participate in the international intellectual debate which was originally dominated by the Western scholars.

Another important Latin American scholar that contributed to the dependence approach is Theotonio Dos Santos, a Brazilian economist. Dos Santos is quoted to have defined the dependency theory as, "... a situation in which the economy of certain countries is conditioned by the development and expansion of another
economy to which the former is subjected. The relation of interdependence between two or more economies and world trade, assumes the form of dependence when some countries (the dominant ones) can expand and can be self-sustaining, while other countries (the dependent ones) can do this only as a reflection of that expansion, which can have either a positive or a negative effect on their immediate development." (Blomstrom and Hettne, 1984: 64).

In addition, Dos Santos identified three forms of dependence: (1) colonial dependence; (2) financial-industrial dependence; (3) technological-industrial dependence. The first one was associated with trade monopolies complemented by colonial monopolies of land, mines and labour in the colonised countries. The second form of dependence occurred during the latter part of the 19th Century, and was characterised by large concentrations of capital in the centres, and by investments in the production of raw materials and agricultural products in the periphery. The countries belonging to the latter developed into export economies, the structure of which was marked by their position of dependence. The third form of dependence is a post war phenomenon. It is characterised by multinational corporations establishing industries that were linked to the dependent countries' domestic markets.

According to Dos Santos, the concept of dependence could not be formulated outside the boundaries of the theory of imperialism, but should be seen as a
complement to the term imperialism, since dependency is internal face of imperialism in the Latin America. A dependency theory was therefore needed as a complement to the theory of imperialism. The latter should analyse the factors behind the internationalisation of capitalism, while the former should show the effects of this process in the relevant countries.

Dos Santos's conclusion about the existing economic arrangement was that the underdevelopment in the periphery was not caused by lack of integration with capitalism, but rather the international system and its laws which posed the biggest obstacle to the overall global development (Blomstrom and Hettne, 1984).

However, the import substitution policy which most Latin American countries embraced during the 1940s and 1950s provided a short-term solution to the region's economic problems. Countries like Argentina and Brazil registered high rates of economic growth in the 1940s and 1950s but stagnated again in the 1960s. The reasons for the region's economic stagnation were various. For example, Blomstrom and Hettne (1984) quotes Dos Santos to have attributed the economic downturn in the region to the weaknesses in the import substitution policy. Dos Santos argued that, "The industrialisation resulting from the policy of import substitution was doomed to stagnation... because of the restrictions placed on the expansion of the domestic market by dependence. These restrictions were: the working class was heavily exploited, which limited its
purchasing power. Secondly, the repatriation of profits led to an extremely limited domestic surplus. Thirdly, the technology was capital intensive, which created relatively low jobs." (Blomstrom and Hettne, 1984: 65)

In addition, the institution of an import substitution policy bred unfavourable balance of trade. Many Latin American countries had neglected the export sector which in turn created deficits in their current accounts of balance of payments. As these economies shifted from the consumption of consumer goods to capital goods, there was not enough foreign exchange to allow the importation of the latter from the centre.

2.2.3 The application of the dependency approach in Africa and Asia

In Africa, the dependency approach was not so much entrenched like in Latin America. During the 1950s and 1960s, almost the whole of Africa lacked good academic infrastructure to allow it to participate in the international development debate. After independence, the number of Africans with academic degrees was very small, as was also the universities. Those who did have academic degrees had received them from the West (Blomstrom and Hettne, 1984). Hence, it is largely because of the above environment that Africa became a silent recipient of the Western development models.
Even the African interregional institutes (like the Economic Commission for Africa in Addis Ababa and the United Nations African Institute for Economic Development and Planning in Dakar) which were set up outside the universities failed to distinguish themselves as their Latin American counterparts had done. The Institute for Economic Development and Planning (IDEP) was established in 1963 in accordance with the UN objectives, supposed to train economists and planners from various African countries. The IEDP's training was largely occupied by the Western economic models and no attempt was made to develop an indigenous development approach.

After the failure of the First UN's Development Decade (1960s), many followers of the Western development models especially those in the Third World, were forced to venture into other alternative approaches. It was therefore in such a situation that some intellectuals from Africa were attracted to the new ideas from Latin America. One of the African intellectuals who got moved with the Latin American ideas was Samir Amin. Samir was more influenced by Prebisch's ideas about the dependency theory.

When Samir Amin became head of the African Institute for Economic Development and Planning in 1970, he embarked on the task of transforming the institute from its initial dormant, uncritical, and recipient position into a vibrant,
an independent Pan-African training and research centre (Blomstrom and Hettne, 1984).

Like Prebisch, Samir Amin's perception about the cause of underdevelopment was based on the global structure. He believed that the endless accumulation of capital in the centre blocked development in the periphery. The above observation formed the central ideology of Amin's Doctoral thesis which was published in 1957. In his thesis, Amin came up with the model of global accumulation of capital whose central theme was that the global capitalist system contained two types of capitalism: on the one hand, an autocentric, dynamic capitalism in the centre, and on the other, blocked capitalism in the periphery. And that both types were structurally linked, and the system was therefore reproducing itself at the global level (Blomstrom and Hettne, 1984).

One of the African countries which pursued the dependence approach towards development is Tanzania. Under Julius Nyerere, Tanzania launched the Ujamaa policy (village-centred development). This policy was contained in the so-called Arusha Declaration of 1967.

The Arusha policy sought to give priority to the development of the rural areas since the previous Western approach, as Nyerere claimed, had favoured the urban population. Secondly, the 1967 policy was to focus on increasing agricultural
production. The third objective of the policy was to increase the degree of self-reliance. External reliance was to be reduced and strategically important firms were nationalised (Blomstrom and Hettne, 1984). These challenges stimulated an intellectual debate at the national University of Dar-es-Salaam which attracted many foreign lecturers and researchers, of whom most were inclined to the dependency school.

Did Tanzania succeed with its new economic policy of 1967? Partly yes. According to Cheru (1989) Tanzania through its national policy of 1967 managed to create a secular national consciousness, a common language (Swahili) and allowing a vast majority of its people to participate effectively in the development process. The government also succeeded in meeting the basic needs of its population, reduced the ratio of income disparities from 27:1 at independence to 9:1 in 1987. The gains were also significant in education where adult literacy rate rose from 10% in 1960 to 72% in 1980. Although that may be the case, most of the recent literature about Tanzania's economic status has revealed a different story.

Since the mid-1980s, Tanzania has been struggling to improve its economy. This has not been easy given the persistent trade deficits experienced by her economy. The country's foreign exchange earnings declined by 22% in 1986, and reached only US$315 million compared with US$405 million and US$412 million in 1984.
and 1983 respectively. The capacity of Tanzania to import necessary imports declined gradually, resulting in widespread under-utilisation of capacity in all industries (Cheru, 1989).

The production of food for local consumption has not been encouraging either, despite Tanzania's official policy of self-reliance and the emphasis on rural development. Overall agricultural performance has been constrained by difficulties in the procurement and distribution of agricultural inputs, especially farm implements, fertilizers and pesticides, as well as transportation problems (Cheru, 1989).

Hence, the above economic scenario has been exploited by both the liberals and conservative scholars to launch their criticisms against Tanzania's nationalistic economic policy of 1967. They argue that Tanzania's adoption of a "defective" socialist policy to propel its economic machine was from the beginning bound to hit a brick wall like many Latin American economies during the 1960s. But this argument is refuted by Cheru who stressed that Tanzania had achieved a lot through its economic policy of 1967 and that most of her recent economic problems have been caused by the World Bank and IMF's Structural Adjustment Programmes (SAPs). He further notes that the SAP programmes bred fiscal constraints which hindered Tanzania's agriculture progress, an area of greatest importance to most Tanzanians and the state.
What about Asia? With the exception of Russia, its Cold War allies, China and to some extent India which experienced some national consciousness during the latter part of the 19th Century due to what was called 'British exploitation of India', the rest of Asia, particularly, the South East Asian region, offers the opposite of the dependency belief (Blomstrom and Hettne, 1984).

While other developing countries remained confused and preoccupied with import substitution towards development, South East Asia managed to institute a successful export oriented industrialisation strategy. In fact the World Bank (1993) called this success an "economic miracle". South East Asia's export oriented industrialisation was unthinkable in the 1950s and 1960s and the strategy was strongly attacked by the dependency theorists saying that it was the main cause of economic retrogression in the periphery (Chen, 1997; Blomstrom and Hettne, 1984).

Countries like Singapore, Hong Kong, Taiwan and South Korea recently assumed the NIC status because of their continued implementation of the successful export oriented industrialisation. This has also been possible because of the huge inflows of foreign direct investment (FDI) (Jomo, 1996).
Although the South East Asian economies have managed to achieve rapid economic development through an outward-looking approach, they differ quite substantially among themselves. In Japan and South Korea, much of the capital which was used to set up industries was locally mobilised. This was done by utilising local savings through financial repression by the state. The state in these two countries identified priority areas for development and ordered financial institutions to issue loans accordingly (state-directed credit). Yet in Singapore, Hong Kong and Taiwan, openness to the outside world and limited government intervention have been crucial to their economic development. These policies attracted foreign capital and investment and have been the engine of the export oriented industrialisation (Jomo (1996); Chen (1997); Blomstrom and Hettne (1984)).

However, the impact of the recent Asian financial crisis (1997) seems to have rejuvenated the dependency related ideas in the region. For example, the Malaysian Prime Minister, Dr. Mahathir Mohamad was involved in a heated debate about the cause of the Asian economic crisis. To him, the Asian financial crisis was a creation of the West against some prosperous countries in Asia. This, he stressed, "was implemented by attacking national currencies through speculation." He added that the Western countries, "... are currently making preparations by expanding their companies and banks through mergers and buyouts. Recently the merger of two giant banks resulted in their funds
increasing to US$653 billion. Compare this to Malaysia's reserves which totals about US$20 billion. If giant banks like these sell Malaysian Ringgit, for instance, we would lose all our dollar savings if we tried to defend our Ringgit… Because they know we are unable to defend the Ringgit, they can do whatever they please" (Mahathir, 1998: 55).

Mahathir’s "conspiracy theory", however, has been refuted by some scholars. For example, Krugman (1999: 124) states that Mahathir was purely wrong to blame the West for causing financial problems in Asia. He noted that Asia was largely to blame for its problems and that during the period of prosperity the region was engulfed in crony capitalism. He cited the Chaebol in South Korea, grandiose plans for a 'technology corridor' in Malaysia and the fortunes made by Suharto's family in Indonesia. In addition, Ries (1999) reveals that Mahathir lacked the moral authority to criticise speculative activities because he had allowed his own bank, Bank Negara Malaysia, to participate in speculation before. After some initial successes, he noted, "the Malaysian national bank managed to lose US$4.7 billion in the turbulence that rocked the European Monetary System in 1992." (Ries, 1999: 75)

Much as Ries and Krugman's arguments against Mahathir's 'conspiracy theory' may be plausible, it is also important to relate Mahathir's claims to the current international economic arrangement to see whether those who are striving to
develop are favoured. Of recent, developed countries have intensified their efforts to deny developing countries their home markets. This has been observed during the World Trade Organisation's meetings and the conditionalities attached to multilateral and bilateral aid (Cheru, 1989; Jomo, 1996). In addition, Krugman (1994: 87-167) explicitly shows that the issue of trade deficit has preoccupied America's policy makers and its persistence has been partly attributed to the recent economic progress of some Third World countries and Japan's economic supremacy. Yet the Japanese story is a bit disturbing. For almost the last ten years, the Japanese economy has been in recession and many of the country's citizens have been hard hit. Various Japanese companies have also been declared bankrupt (Ries, 1999: 83-99). Hence, considering all the above factors, Mahathir may be justified to launch his 'conspiracy theory'.

2.3 Development finance

2.3.1 Definition

Put simply, "development finance" or "financial aid" means the transfer of official financial resources (both bilateral and multilateral) from developed to developing countries for development purposes (Corbridge, 1993: 98). This approach constitutes the initial Western style of development where capital was perceived to play an important role towards development.
Since American capital had done a trick by rapidly developing Europe after the Second World War, the same method was employed to solve development problems of the newly independent countries. However, the language of "development aid" or "development finance" became more used during the First United Nations Development Decade (1960s), a period when the UN urged developed countries to extend more financial and technical support to developing countries to speed up their development efforts (Leng, 1983).

2.3.2 Origins of development finance

The term development finance has its origins from the various events which occurred in the 1940s. One of these events was the launching of the United Nations. Amidst the human, physical and economic devastation of warfare, an opportunity appeared to safeguard peace through international collaboration among the allies. The world’s first aid agency (1943) was the United Nations Relief and Rehabilitation Administration (UNRRA), set up to address the human ravages of conflict in Europe. UNRRA was the forerunner of the UNHCR (United Nations High Commissioner for Refugees) and UNICEF (United Nations Children's Fund) (Browne, 1997). By 1946, the International Bank for Reconstruction and Development (IBRD) which was formed in July 1944, was extending its first loans to Europe. Thus was the multilateral development aid system born (Williams, 1994).
In addition, the Soviet Union's first Security Council vetoes in 1946, provided a new impetus for bilateral development aid: for the Cold War rivalry had begun. In 1948, General Marshall's Plan began to funnel US$13 billion of assistance to Europe over four years - the equivalent of US$90 billion today - with rapid and remarkable results (Browne, 1997). America's assistance through the Marshall Plan to Europe, was greatly associated with her Cold War efforts to occupy strategic geographical areas. But all this provided a powerful stimulus for the cold war bilateral aid.

Furthermore, the 1940s saw the beginning of the independence movement among the former colonies. Apart from expanding the arena of ideological confrontation during the Cold War, independence encouraged the continuation of the colonial related bilateral aid to facilitate developmental projects in the former colonies. This was more so during the First United Nations Development Decade, 1960s.

Hence, from the above scenario, we see two types of development finance; bilateral development finance which was first motivated by donor considerations of both strategic and historical nature and multilateral development finance being extended by the IBRD and United Nations agencies, which responded to developmental priorities of the developing countries. In addition, bilateral development finance which was extended during the cold war, called for compliance on the recipient's side and the newly independent states had to sacrifice part of their sovereignty for it.
During the late 1960s, however, it was discovered that the aid efforts towards the First United Nations Development Decade had largely failed. Most of the developing countries had registered remarkable progress in terms of economic growth, measured by the GNP and GDP. But they continued to experience big problems like disease, illiteracy, malnutrition, poverty, unemployment and population explosion. This period has been referred to as the period of "Development Crisis" and it resulted into what is commonly known as "aid fatigue" among the bilateral donors (Leng, 1983).

The donor countries were greatly disappointed with the failure of their aid efforts to alleviate problems in the developing countries. They then argued that loans were superior to grants as a form of foreign assistance. It was also argued that the obligations to repay loans would discourage wastage and impose a salutary economic discipline on recipients. In addition, it was asserted that loans are politically preferable to grants in that they make the aid relationship reciprocal and business-like. Grants or gifts tends to humiliate and offend the recipients (Maisom, 1978).

The above economic situation led to the creation of various multilateral financial institutions like the Asian Development Bank, African Development Bank and Islamic Development Bank to extend loans to the developing countries. Despite the donors feeling of resignation about their aid efforts in the late 1960s, bilateral
aid still continued to flow into the developing countries, although at a low scale. This was due to various factors as discussed below:

a) Economic interests of especially developed countries.

In the mid-1970s, developed countries were working hard to establish a new international monetary and trading system especially through GATT (General Agreement on Tariffs and Trade). The GATT was established in 1947, with a view to engineering the post-war economic reconstruction, in conjunction with the UN and the World Bank, through vigorous promotion of free trade. GATT is negotiated through phases called “Rounds”, to liberalise world trade through reducing import and export controls and by eliminating trading barriers. Hence, the cooperation of the developing countries to such international arrangements was necessary and development aid was seen as a good inducement.

b) Maintenance of the standard of living in the west.

Industries in the West were relying on raw materials. These raw materials were largely available in the developing countries at reasonably low price. And aid extension was the surest way of getting these raw materials.

c) Market potential of the developing countries.

Developed countries were interested in the Third World’s market especially for their highly value added industrial goods. Because most developing countries exported primary products which fetched low foreign exchange and therefore
could not allow them to buy expensive products from industrialised countries, this made aid extension necessary especially in the form of "tied grants".

d) Environmental interests.

From the early 1970s, environmental preservation and protection began to be an international concern. Things like global warming and acid rain have regional and global implications and therefore the participation of the developing countries was also important. The continued extension of aid to the developing countries was viewed as one of the important avenues for international cooperation in solving common problems.

e) Humanitarian interests.

The humanitarian issues at that time were largely pursued by Robert McNamara, the former World Bank chief in the period 1968-81. McNamara strongly urged developed countries to increase their aid support to the developing countries. He is quoted to have said that, "If the rich nations do not act, through both aid and trade to diminish the widening imbalance between their own collective wealth and the aggregate poverty of the poor nations, development simply cannot succeed within any acceptable time frame. The community of nations will only become more dangerously fragmented into the privileged and the deprived, the self-satisfied and the frustrated, the complacent and the bitter. It will not be an international atmosphere conducive to tranquility" (McNamara, 1981: 39).
McNamara's initiatives were also backed by the Pearson Commission's Report of 1969 which appealed for more aid to the developing countries.

In the 1970s, two events happened. One of them was the Global Oil Crisis which forced many non-oil exporting developing countries to borrow massively to fill their foreign exchange resource gap. The second one was that many commercial banks in America and elsewhere decided to lend to developing countries. Loans to governments or guaranteed by governments, looked safe to the bankers and the debtor countries could pay interest and principal easily out of the new loans (Krugman, 1994).

The Global Oil Crisis which occurred in the mid-1970s led to the sudden emergence of new donors in the Middle-East (OPEC countries). Since they could not domestically utilise their oil revenues, most the OPEC countries decided to deposit them in the OECD banks. This too compelled developing countries to secure more loans to implement their development programmes (Cheru, 1989).

However, in the 1980s most of the developing countries became heavily indebted because of the loans they secured in 1970s. Some of them like Mexico (1982), Peru (1985), and Venezuela (1988) declared themselves insolvent because they could not meet their external debt obligations (Miller, 1989). Many OECD commercial banks absorbed big losses through bad debt provisions and some
grant aid was diverted to provide for official debt restructuring in the developing countries (Krugman, 1994).

By 1992, the total external debt for all developing countries had reached US$1,542 billion (see table 2). But through various initiatives like the Paris Club agreements; Toronto (1988) and Toronto Enhanced Plan (1990), Brady Plan, IDA Debt Reduction for Bank Debt Relief Agreement and the IDA's Heavily Indebted Poor Countries Initiative (1996), debt reduction has been carried out (see table 3).

Between 1982 and 1991, DAC countries cancelled US$10.5 billion of ODA and export credit owed by developing countries. Between 1990 and 1991, US$8.5 billion were cancelled (OECD/DAC Annual Report 1993). However, since the introduction of the debt cancellation programmes in the early 1980s, little impact has been made on the Third World's external debt (see tables 2 and 3).
Table 2: Third World’s external debt (1982-1992)

<table>
<thead>
<tr>
<th>Year</th>
<th>US$ billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>831</td>
</tr>
<tr>
<td>1984</td>
<td>933</td>
</tr>
<tr>
<td>1986</td>
<td>1,152</td>
</tr>
<tr>
<td>1988</td>
<td>1,320</td>
</tr>
<tr>
<td>1992</td>
<td>1,542</td>
</tr>
</tbody>
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One of the reasons for such a poor debt cancellation response is that, the developed countries are largely not threatened and therefore not concerned with the Third World’s debts (Corbridge, 1993). In the case of the United States, Krugman (1994: 188) stresses that, "As a concern of US economic policy, however, the debt crisis is not a major issue. The unfortunate fact about poor countries is that they don’t have much money - and so, in purely economic terms, they do not carry much weight. The combined gross national products (GNP) of all troubled debtors are less than 4 % of the world’s GNP. The total value of all loans to troubled debtors is less than 1 % of the wealth of the creditor nations; the debt service on those loans is less than one-quarter of 1 % of the national
incomes of the creditors. Terrible as it is to say, the United States does not have a strong economic interest in what happens to the Third World debtors."

In addition, the World Bank's position towards writing off the Third World's debts is that, writing off these debts could help trigger a banking crisis. Even when the Bank partially allowed to cancel some debts, it only preferred a case-by-case approach and not the entire Third World group. Some economists have also asserted that writing off the Third World debts will only mean the end of banking and could cause a moral hazard problem in the future (Krugman, 1994).

Table 3: Debt cancellation by DAC countries (1982-94) in US$ millions.

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Year</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>1982</td>
<td>83</td>
<td>1989</td>
<td>629</td>
</tr>
<tr>
<td>1983</td>
<td>157</td>
<td>1990</td>
<td>3,113</td>
</tr>
<tr>
<td>1984</td>
<td>118</td>
<td>1991</td>
<td>4,167</td>
</tr>
<tr>
<td>1985</td>
<td>289</td>
<td>1992</td>
<td>2,102</td>
</tr>
<tr>
<td>1986</td>
<td>312</td>
<td>1993</td>
<td>2,071</td>
</tr>
<tr>
<td>1987</td>
<td>200</td>
<td>1994</td>
<td>3,335.9</td>
</tr>
<tr>
<td>1988</td>
<td>300</td>
<td>1995</td>
<td>---</td>
</tr>
</tbody>
</table>

Source: OECD/DAC Annual Reports 1993-95
NB: Debt cancellation excludes military debts
Since the early 1980s, the World Bank and the US Treasury (commonly known as the Washington Consensus) have continued to push to the Third World the neoclassical doctrine of getting the fundamentals right: macroeconomic stabilisation, privatisation, investment in human capital and financial deregulation. These policy measures have been continuously attached to financial assistance which is extended to the developing countries (Cheru, 1989).

However, there have been some opposing views about the World Bank's method of work in extending financial assistance to the developing world. But all this seems to be falling on deaf ears. The escalation of the recent Asian financial crisis has also been blamed on the World Bank and IMF's policies (Jomo, 1998: 88-135).

Although international development finance is likely to remain as an important tool for supporting development programmes in the Third World, its recent decline in quantity is very worrisome. According to the data of the OECD’s Development Assistance Committee (DAC), levels of development assistance from 21 donor countries in 1996 were the equivalent of US$51.5 billion (in 1994 prices). In real terms, this figure is lower than years earlier following a 9% fall in 1995 and a further 4% in 1996 (Browne, 1997). In 1996, the latest for which full figures are available- the proportion of the DAC country GNP given as
aid fell to 0.25 %, the lowest it has ever been, making the initial target of 0.7% even more irrelevant.

Due to the above trends, there have been emerging strong arguments in favour of accessing markets of developed to the developing countries against continued extension of aid. Proponents of the above approach argues that developing countries would benefit more in trade than aid initiatives.

However, the trade argument may not augur well for the Third World's development initiatives given the continued pursuance of protectionist policies by the developed countries. For example, during the 1996 World Trade Organisation (WTO) Conference in Singapore, developed countries like USA, Japan, Canada and those of the European Union went out all to ensure that the WTO meeting adopt "Social Clauses" pertaining to labour standards and human rights. This was a well calculated move to deny Third World countries their home markets (Navaratnam, 1998).

Before pursuing such policies, developed countries have always carried out thorough research in the developing countries to find out weaknesses which they could capitalise on in pursuance of protectionist policies. For example, on the labour standards, the 1995 OECD/DAC Annual Report reveals that 95 per cent of the estimated 100 to 200 million children under the age of 15 working around the
world live in developing countries with about half of them living in Asia, 30 per cent in Africa and 15-20 per cent live in Latin America.

The UNDP estimated in its 1994 Human Development Report that the cost to developing countries of protectionism in the textile and clothing markets was US$50billion, and in agrarian commodities, US$22billion. An earlier study by the OECD estimated that 30% reduction of OECD border measures would result in US$90billion of benefits for developing countries (OECD/DAC Annual Report 1992). In fact these figures are higher than the OECD’s estimates of annual aid flows.

Some support has also been expressed in favour of Foreign Direct Investments (FDI) or private capital inflows to the developing countries rather than extension of aid towards development. The proponents of this approach cite the East Asian "Economic Miracle" which was publicised by the World Bank in 1993. Countries like Singapore, Taiwan, Hong Kong and South Korea have been viewed as models for other developing countries (Jomo, 1996).

However, what the proponents of the above view fails to acknowledge is that FDI do not go every where. They are highly selective (especially portfolio capital), speculative and development through them seems to occur accidentally- without the investors’ intention to develop the host country. The main motivation for private capital is quick pay- back period of the project and profiteering. In
addition, private capital calls for political stability, cheap labour, tariff concessions from the host country, good macroeconomic management, good infrastructure and a friendly government. Without these, the inflow of FDI to many developing countries is almost impossible. Moreover, when there is a "market panic" like it happened in Asia recently (1997), private capital is repatriated making the economy sink down to its initial economic conditions.

Yet development finance is not selective and will largely go anywhere. Even during a "market panic" or market imperfections, development finance is used to rectify the situation. Cases in point are; the recent Asian financial crisis and the Mexican economic crisis of 1994. Mexico was rescued by the United States with US$50 billion while South Korea which had ascended to the OECD status in the mid-1990 was forced by the 1997 Asian financial crisis to carry its begging bowl to the IMF for US$57 billion to overcome its economic problems (Ries, 1999; Krugman, 1999).

2.3.3 Rationale for development finance

According to Bauer (1993) there is a distinct model behind the hypothesis of the vicious circle: the growth of income depends on investment; investment depends on saving; saving depends on income. Yet, in many developing countries financial resources are inadequate to support various development programmes.
There is always stiff project competition for the available scarce resources and this where foreign development finance comes in to fill the local resource gap.

McNamara (1981: 42) argues that although there are many sound reasons for development finance, the most fundamental one is the moral cause. He further states that, "the whole of human history has recognised the principle that the rich and powerful have a moral obligation to assist the poor and weak. That is what the sense of community of the family, the community of the nation, the community of nations itself."

In addition, the persistent trade deficits in most of developing countries calls for external support. The deficits largely emanates from the protectionist policies of developed countries and the low value of primary products from the developing countries. Since, developing countries lack high value capital goods like machines, they always seek for external assistance to purchase them (Cheru, 1989).

Also foreign development assistance has been justified because of the low absorptive capacity in the developing countries. Absorptive capacity means the ability to draw up project plans, execute the very plans and also monitoring the projects. This is largely lacking in most developing countries and hence calls for external assistance.
2.3.4 Forms of development finance

It should be noted that foreign development finance is just one component of foreign aid. It constitutes; both bilateral grants and concessional loans (government to government arrangements), multilateral loans from the World Bank and regional financial institutions (like the Asian Development Bank, African Development Bank, Islamic Development Bank and the Inter-American Development Bank), the European Community and the UN's agencies (Corbridge, 1993). Unless the transfer of financial resources from developed countries to developing countries involves more favourable terms (soft terms) or concessional terms than those available commercially (export credit or on market), no "aid" or "gift" element shall be involved.

In addition, development finance in form of loans and grants can be “tied” or “not tied”. The “tying” could be by source or project. Tying by source means that, the extended financial resources are to be spent on purchases of goods and services from specified sources. This can be done through formal restrictions of exports, imports, credit or financial assistance directly tied in form of goods and services (Maisom, 1978).

However, since 1970s financial resources from various commercial sources have become important to the Third World. Various private creditors from the West-like the Citibank, Chase Manhattan, Bank of America, the bond markets and bond
holders- have greatly contributed to the Third World's development efforts in the recent decades (Corbridge, 1993).

2.3.5 Defects of development finance

One of the weaknesses of official development finance or aid is that of being "tied". Financial aid which is "tied" by source has the effect of losing value due to higher shipping costs. The increase in shipping costs is caused by location between the donor and recipient as most donor countries are located far away from the recipients. In addition, some costs emanates from the loss of opportunity by the recipient to purchase from alternative sources which could be cheaper (Maisom, 1978).

Furthermore, when procurement is tied to the donor country, the recipient's development programmes tend to be biased by those projects that have a high component of the special import content allowed for under the conditions of aid.

Yet Bauer (1993) argues that the approach of development aid is far from rescuing poor countries from the vicious circle of poverty. To him, development aid promotes dependence on others and encourages the idea that emergence from poverty depends on external donations rather than on people's own efforts, motivation, arrangements, and institutions. He dismisses the argument which justifies development aid on lack of enough investable resources in the
developing countries by saying that research by leading scholars, including Nobel Laureate Simon Kuznets, has confirmed that capital formation was a minor factor in the progress of the West since the eighteenth Century, a period particularly congenial to productive investment. Bauer further stresses that these findings refer to capital formation and not simply to the volume of investable funds.

Another important observation from Bauer is that from the experience of both communist countries and the underdeveloped world, much of the spending which is termed as "investment" does not result in assets yielding a net flow of valuable goods and services. He cited cases of Burundi and the Laos where funds were extended to finance unviable operations of national airlines that were not used by the vast majority of people and that the local people lacked entrepreneurial skills to run them.

Cheru (1989) strongly attacks the conditionalities which are attached to the World Bank and IMF's financial assistance to developing countries. In fact he refers to these policies (conditionalities) as "a new form of colonialism", an idea which is closely related to the dependency belief. These conditionalities includes: (a) liberation of import controls; (b) devaluation of the country's exchange rate; (c) a domestic anti inflationary programme which will control bank credits and control over government deficits by curbing spending, increased taxation, and abolition of consumer subsidies; and (d) a programme of greater hospitality to multinational
companies (MNCs). Cheru goes a head to state that these policies have worsened the economic conditions of Tanzania, Kenya, Zambia, Sudan and Ethiopia. He further notes that instead of freeing poor people from poverty, external aid has been used by developed countries to exploit the poor through debt servicing. For example, "in 1984 it was estimated that of every dollar of external debt disbursed to Africa, only 20% was retained for investment. The balance went into debt servicing. In 1986 alone, the U.S. government collected US$500 million in interest payment from the 29 poorest countries, a figure far greater than the total U.S. assistance to Sub Saharan Africa in 1987." (Cheru, 1989: 26)

Despite such weaknesses, development finance has been and will continue to be part of the Third World's development programmes. The reasons for this phenomenon, as we may have earlier stated, are: (a) the increased pursuance of protectionist policies by developed countries which affects developing countries' export earnings; (b) investment-saving gap in the periphery; (c) low absorptive capacity (issues related to administrative capacity, skilled personnel and entrepreneurship); and (d) the need for industrial goods in the face of limited resources.
2.4 Multilateral financial institutions

2.4.1 The World Bank

According to its Article of Agreement, the World Bank (officially named the International Bank for Reconstruction and Development, or IBRD) was founded in 1944 as one of the two Bretton Woods institutions (the other being the International Monetary Fund, or IMF) to lend for reconstruction and development. The World Bank Group consists of the International Development Association (IDA), IBRD, International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA).

The IBRD and IDA provides project loans to governments for development while the World Bank itself provides advice and technical assistance. The IFC which was established in 1956 works closely with the private sector and invests in commercial enterprises in developing countries. Its projects are financed on private basis and do not need government guarantee. Yet MIGA which was established in 1988 encourages direct foreign investment in developing countries by offering insurance against noncommercial risk.

The IBRD which is owned by 180 countries (1997) lends to creditworthy borrowers and only to projects that promise high real rates of economic return to the country. However, assessment of creditworthiness is largely not based on
any criteria and is a mixture of economic analysis and psychological estimation of the ability and willingness to repay (Williams, 1994).

To join the IBRD, the country must be a member of the IMF. Upon joining the IBRD, member countries subscribe to its capital stock. The amount of shares each member is allocated reflects its quota in the IMF, which in turn reflects the country's relative economic strength in the world economy. For example, as at 30th June, 1992, the US was the biggest economy in the world with 17.59% voting shares in the World Bank, Japan (8.01%), Germany (6.19%), Britain (5.93%), France (5.93%) and the smallest constituency of 22 African countries had (1.86%) (Williams, 1994).

In addition, the IBRD gets its capital by borrowing in capital markets across the globe, at market rates. Its loans mostly goes to the middle-income developing countries and are extended at nearly commercial terms and have a grace period of 5 years and are repayable over 15-20 years.

The highest decision-making organ of the IBRD is the Board of Governors. All members are represented on the Board of governors which meets annually. The IBRD also has an Executive Board. The Executive Board consists of 22 appointed and elected executive directors. The five biggest shareholders- USA, Japan, Germany, Britain and France- appoints one director each and others
elected every after two years. It should be noted that the Executive Board operates on the basis of weighted voting system with votes based on subscriptions to the IBRD. The Executive Board is chaired by the President of the World Bank.

On the other hand, IDA which was established in 1960 provides assistance to poorer developing countries that cannot meet IBRD's near-commercial terms and countries with an annual GNP of US$785 or less (in 1996 US dollars). IDA's capital base is supported by rich countries, through subscriptions, transfers from the net earnings of the IBRD and repayment on its credits. IDA credits are only made to governments and they carry no interest rate but with a commitment charge which is set annually, within a range of 0-0.5 % of the disbursed balance.

During the 1950s and 1960s the World Bank's lending approach emphasised social overhead capital investments like roads, power, railways and ports. This was because they were perceived to play an important role towards economic growth. At the end of the 1960s, nearly 60% of the World Bank lending went to the development of infrastructure; by the end of 1970s, such lending had fallen to one-third of the total, with nearly half of the Bank lending directed to sectors such as agricultural and rural development, education, population and nutrition, urbanisation and small scale industries (World Bank Annual Report, 1980).
Of recent, there has been some arguments in favour of reforming the World Bank. These arguments were very much expressed during the recent Asian financial crisis. The critics of the World Bank, like the Malaysian Prime Minister, Dr. Mahathir Mohamad and Ries, (1999), argues that the Bank's decision-making approach which is based on the weight of shareholding has only served the rich countries. For example, Ries (1999) stresses that besides being a dominant shareholder, the U.S has always made sure that the World Bank President is an American and that of IMF a European.

2.4.2 The Asian Development Bank

As part of the multilateral financial institutions, the Asian Development Bank was established in 1966 to provide finance and technical assistance to the member countries. During the early years of its establishment, the ADB financing approach towards transport projects was guided by the 1972/73 Southeast Asian Regional Transport Survey which it sponsored. The survey was conducted in Malaysia, Singapore, Thailand, Laos, Philippines, Indonesia and Vietnam. It related transportation needs with socio-economic trends in the region.

The basic conclusion of this survey was that the South East Asian countries must try to attract private foreign investments by making their resources more attractive rather than using tariff and tax concessions to make their markets more attractive. The recommended way was to invest in the social overhead capital: roads,
railways, education, health care, ports and irrigation canals (Leinbach and Chia, 1989).

Of recent, East Asia has been more progressive economically than other regions. The economic success of this region was publicised by the World Bank in 1993. The Newly Industrialising Countries (NICs) like Taiwan, Singapore, South Korea and Hong Kong have been perceived as modal economies for other developing countries. One of the factors which has been responsible for the recent economic success of East Asia is availability of good infrastructural facilities like roads.

Hence, it may be true to say that the ADB managed to foresee the "right trick" for the region’s economic development.

2.4.3 African Development Bank

Established in 1964, the African Development Bank is a multinational development bank owned by 77 member countries from Africa, North and South America, Europe and Asia. The ADB’s mission is to promote economic and social development by providing loans, equity investments and technical assistance. The Bank is headquartered in Abidjan, Cote d’Ivore. The ADB group consists of three institutions; African Development Bank (ADB), African Development Fund (ADF) and the Nigerian Trust Fund (NTF).

The African Development Fund (ADF) which was established in 1972 provides development finance on concessional terms to low-income member countries
which are unable to borrow on the non-concessional terms of the Bank. In accordance with its lending policy, poverty reduction is the main aim of this Fund.

The main sources of funds for the ADF are mainly contributions and periodic replenishments by state participants. The ADF is normally replenished on a three-year basis, unless state participants decide otherwise. It lends at no interest rate, with a service charge of 0.75% per year, a commitment fee of 0.50% and a 50-year repayment period, including a 10-year grace period.

However, the Nigerian Trust Fund (NTF) was established in 1976, with an initial capital of $80million and by 31st December, 1996, it had a total resource base of US$432million. The purpose of the NTF is to assist in the development efforts of the poorer ADB members. The NTF provides finance for projects of national or regional importance which further economic and social development of the low-income poor countries whose economic and social conditions and prospects require finance on non-conventional terms. The NTF lends at 4% interest rate, with a 25-year repayment period, including a five-year grace period.
2.5 Transport and development

The role of transport towards economic development has been emphasised by some geographers like John Friedman. Friedman translated Rostow's model of economic development into spatial terms by developing a four-stage model (Simon, 1996:32-40; Blomstrom and Hettne, 1984: 13).

According to Rostow's ideas, there are five stages through which all societies had to pass through in order to reach a self-sustaining economic growth. The stages are:

a) The traditional stage with low level of technological knowledge and poor infrastructure. This stage is also associated with little spatial interaction;

b) The pre take-off stage where many obstacles to economic development are removed and more effective infrastructure is created to facilitate the take-off stage;

c) The take-off stage where the share of net investment and saving in national income rises from 5 per cent to 10 per cent or more, resulting in a process of industrialisation with some sectors assuming a leading role. Modern technology is disseminated from the leading sectors while the economy is moving towards the stage of maturity. The economic structure changes continuously with certain industries stagnating while new ones are created;

d) The maturity stage which is gradually created as an ultimate goal;
e) The society of mass consumption. This is where the citizens can satisfy more than their basic needs and consumption shifts towards durable goods and services.

Friedman's model which was developed from that of Rostow centres on a modernising process of a single and dynamic urban core and through the urban hierarchy, development trickles down to peripheral areas, thereby reducing urban-rural disparities and producing a homogeneous, fully integrated and modern development space (see Figure 4).

Clearly, the role of infrastructure and reliable, efficient transport in ensuring the movement of people and goods is central, and is incorporated in Friedman's model. In the early stages, centripetal forces, and flows tend to drain the periphery, concentrating resources and skilled, able-bodied workers in the core; however, once diseconomies of scale begin to outweigh agglomeration economies, the balance shifts in favour of trickle-down and diffusion of modernity in all its material and nonmaterial forms across the space economy.

Despite the relevance of Friedman's transportation model towards development in the Third World, the model still has some weaknesses. One of such weaknesses is its failure to eliminate regional imbalances in the developing countries. The model assumes that development benefits from a single urban
Figure 4: Friedman’s Four-stage Model

STAGE 1 Pre-industrial: Isolated, independent centres, with little interaction

STAGE 2 Transitional: Emergence of a dominant core

STAGE 3 Industrial: A single dominant centre with strong peripheral sub-centres in a shrinking and fragmented periphery

STAGE 4 Post-industrial: Fully integrated urban system which has virtually eliminated this periphery

Source: Simon, David 1996
core will over time trickle down to the rural periphery especially as diseconomies associated with over concentration of resources begins to set in (Simon, 1996). Unfortunately, this has not largely been the case in many developing countries. Most of the socio-economic transformation in these countries has been experienced in the urban areas leaving the peripheral areas almost untouched (Elkan, 1973).

Leinbach and Chia (1989) argues that the development of an adequate transportation system is essential to a nation's economic growth. As an integral part of a national production and distribution systems, an adequate transportation network is necessary to provide a means of servicing domestic and international markets. This is of primary importance in the early stages of economic development because it promotes an accumulation of capital, which allows the economy to progress from the subsistence level at which most production is consumed locally. Transportation and other government programmes, such as education and health care, necessarily compete for public expenditures, particularly in undeveloped countries. There are indications, however, that a balanced approach to expenditures to these areas, rather than a disproportionate concentration of government outlays in one area leads to a more desirable growth pattern.
Yet the World Bank's World Development Report on infrastructure for development (1994) reveals that per capita provision of infrastructure services had increased in all regions of the world. But the greatest had been registered in East Asia, which also experienced remarkable economic progress, and the least was in Sub Saharan Africa, which was lagging behind economically. This reflects the strong association between economic growth and infrastructure development. The Report further states that countries that made concerted efforts to provide infrastructure in rural areas—for example Malaysia and Indonesia—had succeeded in reducing poverty drastically.

However, in many developing countries, the inadequacy of transport facilities is one of the major bottlenecks to socio-economic development and indeed national integration. If not taken into consideration, transport can make it difficult to implement even well-drawn plans. Often lack of transport makes it difficult to introduce other social infrastructure like schools, hospitals and provision of extension services to the farmers. As a result of these and other factors, the productivity of agriculture—the dominant sector in the developing world—is deplorably low. Thus, the incomes of the bulk of the population is very low which in turn limits the potential for further economic development.
2.6 The comparative advantage of roads

For technical, economic and financial reasons, among the various modes of transport, roads have been and are being more emphasised. Heflebower's (1965) study of the economic characteristics of different modes, Hirschman's (1967) examination of latitude for substitution in road projects and Bonney's (1963) comparison of road and rail projects, along with the United Nations (1962 and 1963) studies of the nature of transport demand in developing countries, suggest that, for the most part, the pay-off from road transport is better than that from other modes.

In addition, the World Bank's World Development Report on infrastructure for development (1994), reveals an average economic rates of return of various projects which were financed by the World Bank in the period 1974-1992. The data shows that highways had better economic rates of return than other projects, with 20% between 1974 and 1982 and 29% in the period 1983-1992 (see table 4). The report further states that railway transport was constantly losing its passenger traffic to road transport.
Table 4: Average economic rates of projects (1974-1992) n % of the World Bank’s financed

<table>
<thead>
<tr>
<th>Projects</th>
<th>1983-1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>Irrigation and Drainage</td>
<td>13</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>19</td>
</tr>
<tr>
<td>Transport</td>
<td>21</td>
</tr>
<tr>
<td><strong>Highways</strong></td>
<td>29</td>
</tr>
<tr>
<td>Air ports</td>
<td>13</td>
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<tr>
<td>Ports</td>
<td>20</td>
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<td>Railways</td>
<td>12</td>
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<tr>
<td>Water and Sanitation</td>
<td>9</td>
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<tr>
<td>Water supply</td>
<td>6</td>
</tr>
<tr>
<td>Sewerage</td>
<td>8</td>
</tr>
</tbody>
</table>


Patrocinio (1968: 2) states that, "the tremendous effects of roads on the economy are fairly evident. Almost every thing that one buys is moved once or several times by land transportation. Farmers, to a very large extent, depend on roads for transporting their products to markets or other distributing centres. There is now a growing emphasis on increased agricultural production to enable the farmer to earn more and to bring more farm products to the urban consumers. Definitely, the farmer will need a better marketing system which will among other things, require better means of transportation. If agriculture is to be undertaken on commercialised basis, then there must be more and better roads, at a minimum, all-weather roads."
In addition, roads are more preferred and are divisible. The divisibility of other modes may be crucial especially in early stages of a country's economic development, when domestic markets are small (Hodder, 1968).

However, roads can also be costly to build. In areas where population densities are low, roads may be very difficult to pass for long stretches through uninhabited country. The construction of new modern highways also calls for huge resources.

Furthermore, the establishment of road area may not only bring benefits but may also act as an avenue for labour deprivation especially as people begin to use the very roads to migrate to urban areas. This has been the case in many developing countries. However, although this may be true, in some cases the emigrants have become a major source of change and development to their home areas especially when they repatriate the acquired skills, knowledge and earnings.

It should also be noted that roads alone may not bring about economic development. They are largely 'service providers' and provides the needed impetus for economic development. In order to have a meaningful impact on say agriculture development, roads should be supplemented by other good policies like land reform, improvement in farming tools, supply of good seeds and
fertilizers, provision of extension service Bank's World Development Report, 199.

2.7 The evolution of roads in Malaya

2.7.1 Evolution of roads in Malaysia

Historically, the main mode of communication within and between the different states of Malaya was by water and river systems. The development of natural highways. The development of water transport was hindered by among the seas and rivers forming the absence of suitable beats. Gradually, a system of footpaths and tracks evolved to provide a new dimension to the connections between and river systems (Kaur, 1985).

However, the discovery of new deposits of tin in the foothills of Peninsular Malaysia in the 1840s resulted into a shift from the river mouths to the inland centres. The foot-paths were upgraded to cart-tracks, although rivers continued to serve as natural highways upon which tin ore could be transported from the major tin fields to the coastal ports. Later on, bridle-paths developed and these connected tin mines to the rivers from where tin ore was transported to the coast for furtherence to overseas markets.

This change from the initial forest tracks and foot-paths to cart-tracks and then to bridle-paths formed the foundation of road development in Peninsular Malaysia.
Because of the problems associated with sluggishness, seasonality and limited capacity, river and cart transport, like railway transport was introduced. In 1885, the first railways were constructed from Singapore through Penang and the growing of rubber and palm and the growing of rubber and palm mainly from the accumulated tin. By 1920, a railway line had been constructed from Penang to Malaysia, to Thailand.

The establishment of railway transport led an impetus for the construction of roads especially as feeders to the railway and towards road construction were later stimulated by those of the 1912 Railway Act. According to the terms of the lease agreement, the Johor government was to construct 327 miles of roads in seventeen sections which were to serve as feeders to the railway.

In addition, it should be noted that the original roads were built for various reasons. In the western half of Peninsular Malaysia, roads were first perceived as feeders to the railway and also as a means for extending the development space of the west coast states. In Pahang, Johor and in the northern Malay states, roads were instituted to provide access and to initiate economic growth. A third pattern of roads emerged in Kelantan with the construction of the Kota Bahru-Pasir Puteh road which was constructed for security reasons. Furthermore, road construction was undertaken to provide employment to the labourers who were thrown out of work in the west coast due to depressed economic conditions (Kaur, 1985).
Compared with the railway, the initial road projects were less substantial lines of communication and their construction was carried out within a flexible framework. Roads were built in stages, depending on the budget and need. Unlike the railway which was built by the Federated Malay States Government, roads were constructed by individual states and from their own resources. The overall aim of that policy was to facilitate intrastate communication but some poor states lagged behind in terms of road development. This was because of their financial inability to facilitate road projects.

By 1930, road development in Peninsular Malaysia had assumed an important position in the transport sector. Competition emerged between road and railway transport services. The producer and consumer preference shifted for roads against rail transport services. The services offered by road transport were far superior to those of the railway. In addition, road transport was more flexible and available in areas which were not served by the railway. The other advantages existed in providing door-to-door delivery without intermediate handling, lack of formality and sometimes even greater speed of delivery.

Earlier, the large freight capacity of the railways had enabled them to carry a great deal of low-rated traffic by using the profits on the higher-rated traffic to make up the loss. Consequently, when the higher-rated traffic was drawn away by road transport agencies, the railways had no option but to raise the rates on the low-rated traffic. This in turn tended to have severe repercussions on the country's
the rates classification policy of
ment. Efforts were taken to
ng fees. Despite all that, road
atacked by the Japanese and much
ost-war period was dominated by
' Malaysia had about 14,812km of
and 1965, over 3,703km of roads
And about 80% of the roads in
insula Malaysia had 10,304km of
rural and secondary roads under state management and 4,508km of federal trunk
roads.

One of the main objectives of building roads between 1961 and 1965 was to link
rural communities to the road network. The increase in road length was also
followed by an increase in the number of registered vehicles. For example, In
1965, Peninsular Malaysia had 400,000 registered vehicles. However, in East
Malaysia road development was still at a low stage of development. By
1966, East Malaysia had only 2,801km of roads, of which 2,254km were in Sabah.

Apart from constructing development roads to support FELDA (Federal Land
Development Authority) schemes, there was no serious road development
programme during the First Malaysia Plan (1966-70). However, because of the expanding economy, transport facilities were beginning to be inadequate. In 1967, a General Transport Survey was conducted in Peninsular Malaysia. The GTS was sponsored by the United Nations Development Programme (UNDP) and it revealed that approximately 30% of the Federal road network and 45% of the state controlled roads were deficient in terms of road widths and alignments (Second Malaysia Plan, 1970-75).

By 1970, Peninsular Malaysia had 17,440km of roads, while East Malaysia had 4,304km of road distance. Sarawak with an area of 48,250 Square miles, almost near to that of Peninsular Malaysia had only 1,510km of roads in 1970 and about 805km of these roads were built in the period 1966-70. In addition, the whole state had only 287km of bitumen roads in 1970 (Kandiah, 1972). In Sabah, 2,793km of roads were in place by 1970 and most of these roads ran from the coastal towns to the interior. However, by 1970 the whole of Malaysia had 745,400 registered vehicles. Peninsular Malaysia had 669,100, Sabah 37,000 and Sarawak had 39,000 registered vehicles.

It should be noted that in 1970 the New Economic Policy (NEP) was launched in Malaysia. The NEP aimed at eradicating poverty and eliminating identification of the economic functions by race. During its implementation, transport was given a seminal role. The Bumiputras (native Malaysians) were also encouraged to participate in the transport sector.
However, in 1972, the South-East Asian Regional Transport Survey was carried out in Malaysia, Singapore, Thailand, Indonesia, Laos, Vietnam and Philippines under the sponsorship of the Asian Development Bank. Besides ranking Malaysia’s road network first in the whole of the South East Asia, the survey also revealed that road transport in East Malaysia was in a poor condition. In addition, the recommendations of this survey plus those of the 1967 UNDP sponsored survey in Peninsular Malaysia formed the basis for serious road development in 1970s and 1980s in Malaysia.

By 1980, Malaysia had 28,870km of roads and 2,452,500 registered vehicles. Sabah had 125,900 vehicles while Sarawak had 125,900 vehicles. During the Fourth Malaysia Plan (1981-85), Malaysia experienced an economic recession. This had a big impact on road development as the local resources were not adequate to support various road projects. Between 1986-90, transport and communications were allocated US$6.011million and over 80% was spent on road development. This was because of the huge inflow of foreign direct investment (FDI) which called for improved road network. Foreign direct investment grew at an average annual rate of 8.2% from RM3.8billion in 1983 to RM6.1billion in 1989, after which its value more than tripled to RM19.8billion in 1994 (Phang, 1998). In 1990, Malaysia’s road network increased to 63,445km and 74% were paved. The number of registered vehicles also increased to 5,249,270 in 1990 from 4,010,430 vehicles in 1985.
However, it should be noted that during the 1980s, the government introduced privatisation. The privatisation policy greatly reduced government's role in the road sector especially in the urban areas. One of the biggest privatised highways is the North-South highway (848km). Its construction started in 1988 and ended in 1994, at the cost of RM3.5billion (Siang, 1987). The highway helped to integrate the northern and southern regions of Peninsular Malaysia from Bukit Kayu Hitam in Kedah to Johor Bahru in Johor. In 1990, Malaysia had 415km of privatised highways.

Between 1991 and 1995, emphasis was put on increasing efficiency, improve safety and putting in place a reliable road network. The government also continued to pursue the privatisation policy especially after launching the Privatisation Master Plan (PMP) in 1991. The PMP constituted various modes of privatisation like Build-Operate-Transfer (BOT), Build-Own-Operate (BOO) and Management-Buy-Out (MBO). However, BOT has been the most favourite mode of privatisation towards road development.

In 1995, Malaysia had 64,328km of roads, of which 75.4% were paved. In the same year, the distance of rural paved roads reached 15,700km. There were also 927km of privatised highways and the private sector investments in the road sector increased from RM1.5billion in the period 1986-90 to RM7.2billion between 1991 and 1995. In addition, the country had 7,513,663 registered vehicles in 1995. Between 1991 and 1995, Malaysia had a 41% increase in the number of
registered vehicles, yet her road network increased by only 19.2%. Hence, the
country had a 15% decrease in terms of kilometers of roads for every 10,000
vehicles. But this increase in motorisation did not come as a surprise. In 1986,
Malaysia began to produce her own cars named Proton. These cars enjoy over
75% of the local car market and due to rapid economic growth many Malaysians
have been able to own cars.

For the entire Seventh Malaysia Plan period (1996-2000), road development was
allocated RM9.840 billion and the private sector was expected to invest
RM17.5 billion. By 1998, the whole country had 68,070 km of roads and 75.9%
were paved. The distance of rural roads under bitumen increased to 17,500 km
and there were 1,206 km of privatised highways. In 1997, Malaysia had
9,104,351 registered vehicles.

Recently, the Malaysian government launched its Highway Network
Development Plan (HNDP) which is supposed to run up to the year 2010. By the
end of the plan it is estimated that about 5,279 km of interurban highways will
have been built. The entire plan is estimated at US$9,080 million and the private
sector is expected to play the biggest role towards its implementation.
2.7.2 Road development in Uganda

Uganda became a British protectorate in 1894. Before that event, the country was divided into various small kingdoms which lived independently. Under that political arrangement, no serious road development was undertaken. The main means of communication between villages and kingdoms were rivers and lakes and also forest and bush tracks (O'Connor, 1965). In fact these small forest tracks were once used by the long distance traders who travelled from the coast into the interior of East Africa.

However, the establishment of colonial rule in Uganda provided the initial impetus for road development. The first roads were built to facilitate commercial agriculture and also extend the British sphere of influence. In central Uganda where coffee and cotton were being grown, many road sections were constructed to enable the delivery of extension services (O'Connor, 1965).

In 1952, the colonial government in London instituted an African development Fund to help in financing various projects in Africa. More financial assistance was also provided through the Colonial Development and Welfare Acts. Uganda benefited greatly from these financial sources and more roads were built to facilitate development. By the end of 1952, the central government was maintaining 4,830km of all-weather roads and was subsidising local authorities to maintain a further 12,880km of feeder roads (Elkan, 1961). Investment in roads
between 1952 and 1959 amounted to Pounds 12.6 million, and the capital value of the road system in 1959 was estimated at Pounds 32 million (O'Connor, 1965).

Thus, the above scenario signifies an important position road development had assumed in Uganda before independence. In 1960, the Ministry of Works was maintaining a total of 4,812 km of main roads and of which 976 km were paved. A total of 13,363 km of feeder roads were under the jurisdiction of the different kingdoms. But these were largely impassable during wet weather (Her Majesty's Stationery Office Report, 1961). In addition, Her Majesty's government extended a grant of 126,500 Pounds to all African local governments (kingdoms) for maintaining roads under their jurisdiction. Another grant was also extended by the British government to facilitate the construction of various roads in the country. Some of these road projects were; Gulu/Anak road, Mukono/Kayunga road, Jinja/Kamuli and Masaka/Mbarara.

In 1961, a delegation from the International Bank for Reconstruction and Development (IBRD) visited Uganda to help in formulating the first post-independence development plan of Uganda (1961/2-1965/66). The IBRD Mission's Report which was published in 1962 constituted various recommendations regarding Uganda's road sector. These recommendations were incorporated in the 1961-66 national development plan and were largely well implemented.
However, in July 1967, a new development plan was launched for Uganda. But due to the unhealthy political environment in the country, some projects were not implemented. However, by 1970 Uganda's road network was well established and was considered to be one of the best in the whole of the Sub-Saharan Africa.

In January 1971, Milton Obote's government was overthrown through a military coup. Amin assumed power and during his first years of leadership, many Western countries pledged support to Uganda's development initiatives. Later Amin's government turned into a dictatorship. He suspended all political party activities and the parliament. In 1972, all Asians who held British passports were expelled from Uganda. This was not well received by Britain. The British government responded by suspending all its aid operations in Uganda. Other western countries like United States, Norway and Canada also followed suit. Even multilateral financial institutions like the World Bank relaxed their operations in Uganda. All this had a big impact on Uganda's economy and indeed her road sector.

Uganda's economy gradually deteriorated and the country's road network lacked regular maintenance. In 1979 a combined force of Tanzanian troops and exiled Ugandans attacked Uganda and overthrew Amin's government. By the time Amin was overthrown Uganda's economy was in shambles. The country's road network registered a small increase during Amin's regime and much of it was impassable.
By 1982, Uganda’s road network was 27,500 km, of which 1,900km were paved and 5,600km were under gravel. Between 1981 and 1986, Uganda experienced a civil war. Many rural areas were deserted and bombs and land mines were planted in the roads to prevent enemy forces from progressing. This practice rendered many road sections impassable as they developed potholes due to lack of maintenance.

When Yoweri Museveni came into power in 1986, his major task was to rehabilitate the economy. In 1988, an Economic Recovery Programme was put in place. The programme attracted many donor governments and multilateral agencies. By 1992 some road sections of the country’s road network had been made passable. But the biggest part of the feeder roads was still impassable. Uganda’s road network was 28,000km and about 2,000km were paved, 6,000km under gravel and 20,000km constituted feeder rural earth roads.

In addition, many segments of the un-rehabilitated highways and feeder roads were either impassable throughout the year or after rain. And those that were impassable imposed high operation costs on their users. Even those that had been rehabilitated were gradually becoming impassable due to lack of regular maintenance (World Bank’s Report, 1992).

In 1995, the government came up with a Ten-Year Road Sector Development Programme (1996-2006) which is estimated at $1.5 billion. It is expected that the
donor community will contribute about 64% of the entire financial resources needed to implement the programme. The Programme’s report reveals that Uganda had 30,000km of roads in 1995, of which 8,832km constituted the main trunk roads and the rest were feeder roads. About 2000km of the country’s road network were paved. In addition, the Report reveals that between 1986 and 1995, the road rehabilitation efforts brought the entire road network from less than 10% of good condition to approximately 70% for the main roads and 40% in the case of rural feeder roads.

However, the improvement in the country’s road network was followed by the increased rate of motorisation. Uganda’s motor fleet increased from 40,359 in 1987 to 96,211 registered vehicles in 1995.

2.8 Road administration in Malaysia and Uganda

2.8.1 Road Administration in Malaysia

Malaysia’s road network is divided into two major categories. These are Federal and State roads.

Federal roads are all roads under the Federal Roads Act 1959 and they include: toll expressways, roads in FELDA schemes, roads leading to federal institutions and designated roads within the federal territories. These roads are generally inter-state in nature and also connect to international boundaries. The maintenance
and development of federal roads is entirely shouldered by the Federal Government in Kuala Lumpur.

State roads are all roads other than federal roads. They include primary roads which provides intra-state travels and urban roads. Their maintenance and development is done by the respective state governments. However, each state receives an annual road grant from the federal government for road maintenance and development. Road grants are calculated basing on the minimum quality as specified for by the federal government. In order to obtain the grants, state governments are required to get approval from the Public Works Department (PWD) stating that the claims meet the requirements for maintenance grants.

Different local authorities usually send their road development requirements to their respective state governments and with approval from the PWDs, the state governments then make claims to the federal government through the Ministry of Finance. The approved lists of roads are kept with the Federal Treasury and they are updated every year to determine road grants for each state (Phang, 1997).

In addition, at the state level, state governments provides funds for road development in the rural areas. This is done by utilising state resources in addition to grants from the federal government.
According to the Malaysian Highway Authority, Malaysia’s road network is further subdivided into; expressways, highways, toll highways, primary roads, secondary roads, collectors, arterials, local streets and minors.

Expressways are divided highways for through traffic with full control of access and always with grade separators at all intersections. They serve long strips and provide high speed of travelling and comfort. To maintain this, they are fully access-controlled and are designed to the highest standards. In urban areas, they form the basic network of road transportation system for through-traffic. They provide smooth traffic flow with full access control.

Highways constitutes interstate national network and complements the expressways. They usually link up directly or indirectly with the federal capitals, state capitals and points of entry or exit to the country. They serve long to intermediate trip lengths. In here, speed is not so important as in the case of expressways but relatively high to medium speed is necessary.

Toll highways are largely interurban toll motorways which were initially constructed and maintained by the Malaysian Highway Authority (MHA). But most of them are currently under the Private sector management especially those in big urban centres. They provide an alternative to federal highways.
Primary roads are roads that are forming the basic network of road transport system within states. They usually link up the state up the state capitals, district capitals or other major towns.

Secondary roads constitute major roads forming the basic network of road transport system within a district or regional development area. They usually link up the major towns within districts or regional development area.

Arterials are continuous roads with partial access control for through traffic within urban areas. Basically, they convey traffic from residential areas to the vicinity of the central business districts or from one part of the city to another and which does not intend to penetrate the city centre.

Collectors are roads with partial access control designed to serve on a collector or distributor of traffic between the arterial and local road systems. They serve identifiable neighbourhoods, commercial and industrial areas.

Local street are basic road network within a neighbourhood and serves mainly to offer district access to butting land.

Minor roads are usually village roads constructed and maintained by the district within states and by state funds.
Malaysian Highway Authority (MHA)

The Malaysian Highway Authority (MHA) was established in 1980 in accordance to the Malaysian Law, Act 231 Highway Malaysia (Incorporation Act 1980).

The purpose of establishing MHA was; a) to supervise and execute the design, construction, regulation, operation and maintenance of interurban highways, b) to impose and collect tolls and, c) to enter into contracts and to provide for matters connected therewith.

According to MHA Act 1980, the objectives of the authority are as follows;

a) To plan, design, develop, operate and maintain modern network of expressways with all the necessary facilities and amenities which will;

i) provide a fast, safe and efficient means of road transport for the country as a whole;

ii) link all existing major townships and potential areas of development thereby contributing to the economies, cultural and social development and integration of the nation; and

iii) enable an effective interurban public road transport to be provided throughout the country;
b) To train personnel and further develop expertise in all facets of highway construction, operation and maintenance.

In addition, the Malaysian Highway Authority has the following functions;
1) to supervise and execute the design, construction and maintenance of highways as determined by the government;

2) to supervise and execute the design, construction and maintenance of rest and service areas and other facilities that may be deemed necessary along the highways;

3) to collect toll from the users of highways and other dues from facilities along the highways;

4) to plan and carry out research to ensure efficient utilisation of highways and other facilities along the highways;

5) generally to do everything for the betterment and proper use of highways and facilities along highways.

The Malaysian Highway Authority is headed by a board of directors. Under the Authority's Board, is the Director General who directs the general work of the Authority. The Director General is assisted by two deputies; deputy director for technical and that of administration and finance.
Under the two deputy directors are the five directors of; projects, quantity surveying and contract management, regulatory and monitoring and finance and administration. The MHA also has other regional directors; director of southern, northern, central and also director for land affairs, legal affairs and chief internal auditor.

However, it should be noted that with the country's continued pursuance of privatisation, the functions of the Malaysian Highway Authority have largely been reduced to supervision and monitoring the privatised projects to see to it that the signed agreements between the government and private companies are not breached. This includes adherence to the agreed terms like toll charges and safety standards of the built highways.

2.8.2 Road administration in Uganda

Uganda's road network is divided into four categories; main national trunk roads, district feeder roads, urban roads and community roads.

The main national trunk roads are the main arteries of the country. This network is made up of international routes (especially those that are forming the International North Corridor Route-INCR) as well as major domestic routes internally linking large population, commercial and administrative centres. This
network is about 9,000km, of which about 4,000km are paved and the rest is under gravel. According to the Local Government Act of 1997, the main national trunk roads are supposed to be planned, designed, constructed, maintained and managed by the central government.

District roads comprise of about 20,200km. These roads connect communities to commercial and socio-economic centres either directly or through linkage to the main trunk roads. District roads are important to the livelihood of the rural communities. This is because they facilitate trade and delivery of social and administrative services. District roads are constructed, maintained and managed by the respective districts. However, some financial support in form of conditional grants is always extended by the central government to various districts for road development annually. But even with such assistance, many districts still lack the capacity either in terms of finance or skilled manpower to maintain all roads under their jurisdiction.

In addition, Uganda also has urban roads. These are roads which are located in the major urban centres, municipalities and town councils. They constitutes about 2,800km and are maintained by the respective urban authorities.

Community roads are those roads that link various rural communities together and to the district roads. According to the 1997 Local Government Act, community roads which totals to about 30,000km are supposed to be developed and
maintained by the respective communities. However, of recent, this responsibility is being pushed back to the government, especially at the Sub-county level.
Uganda's Ten-Year Road Sector Development Programme (1996-2006) which is largely expected to be financed by external resources.