CHAPTER 6

CONCLUSION

6.1 A general overview of the study

As Chen (1997) points out, it is not so crucial for developing countries to have very high saving rates (domestic resources) in the beginning of economic development. Domestic savings at that stage could certainly be supplemented by foreign resources in form of aid, loans or private flows. The crux of the matter, however, is whether a developing country would be able to reduce its dependence on foreign resources over time with a significant increase in its domestic saving rates. He continues to say that Hong Kong increased its saving rates from 6% in 1960 to 29% in 1965 while those of Singapore increased from 10% in 1965 to 21% in 1970.

In the case of Malaysia and Uganda, foreign development finance has been a big component of their development programmes. This can be traced from the colonial period when both countries were under the British rule. During the colonial period, Britain extended financial support to Malaysia and Uganda in form of grants from the Colonial Development and Welfare (CD&W) Fund, bilateral loans and assistance was provided to both countries to secure loans on
the London capital market. A great deal of this financial assistance to both countries was used to execute various road projects.

Upon assuming independence, both Malaysia and Uganda inherited one of the best road networks in their respective regions. This high level of road development was greatly supported by Britain, their former colonial master. Even after independence, both countries continued to receive financial and technical aid from Britain through the Commonwealth programmes, bilateral loans and grants. In addition, Malaysia benefited from the Colombo Plan arrangement especially beginning from 1950.

In the 1960s, various multilateral financial institutions were established. These included; the International Development Association (IDA) in 1960, the Asian Development Bank (1966) and the African Development Bank (1964). In addition to the above sources of development finance, Malaysia and Uganda continued to receive financial assistance from the World Bank. In fact by 1970, Uganda had received two loans from the World Bank to finance her highway projects.

Malaysia on the other hand, secured huge financial assistance from both the World Bank and Asian Development Bank to support her big road projects which were started in the 1970s and 1980s. The initiation of these road projects in Malaysia, came as a result of the recommendations which were
made by the 1967 UNDP's sponsored General Transport Survey in Peninsular Malaysia and those of the 1972/3 Asian Development Bank's Southeast Asian Regional Transport Survey. Both surveys recommended for various improvements in the country's road network so as to cope up with rapid economic expansion. Some of the recommended projects for improvement were: Kuala Lumpur-Karak highway, Kuala Lumpur-Petaling Jaya, Kuala Lumpur urban road project and Kuantan-Segamat road.

In addition, the launching of the New Economic Policy (NEP) in 1970 provided a new impetus for the execution of the above projects. The main aim of the New Economic Policy was to eradicate poverty among all Malaysians and to restructure Malaysian society so that the identification of race with economic function and geographical location is reduced and eventually eliminated, both objectives being realised through rapid economic expansion over time.

Hence, the need to achieve the NEP objectives through rapid economic expansion, in the face of limited financial resources compelled the Malaysian government to make constant and big calls to the multilateral financial resources in the 1970s and 1980s. Malaysia's efforts towards developing her road sector especially in the 1970s were supplemented by the bilateral financial aid from the Colombo Plan members like Australia, New Zealand, Canada, United States and Japan.
However, Uganda did not benefit from external finance in the 1970s to develop her road network. This was because of the country's internal and external political problems. Internally, Uganda was politically unstable and this held back many development projects. Externally, the country faced ideological problems with some Western countries like Britain. Because of these problems, Britain which was then Uganda's main bilateral aid donor suspended its operations in Uganda and other countries like USA, Canada and Norway followed suit. Even multilateral financial institutions like the World Bank and African Development Bank relaxed their operations in Uganda during Amin's regime.

During the same period, Uganda's initial benefits from external development finance towards road development were greatly eroded. The country's economy was in a weak shape, with less foreign exchange and acute shortage of manpower. The foreign financial aid which would have filled the local resource gap had been cut off. This economic scenario could not allow regular road maintenance to take place. Most of the Public Works Departments lacked skilled engineers, road equipment and spare parts to carry out road maintenance programmes. The result of all this was that the country's road network greatly deteriorated. Even after the overthrow of Amin's regime in 1979, Uganda did not regain political stability. The World
Bank, Britain and West Germany resumed their aid operations in the early 1980s but their operations had little impact on the country's road network.

However, after almost two decades (1970-1990) of serious external borrowing to develop her road network, in 1991 Malaysia completely abandoned the use of foreign development finance to finance her road projects. The government continued to pursue privatisation which was introduced in the early 1980s. The privatisation policy has of recent registered some remarkable success towards road development in Malaysia. For example, the construction of various toll expressways in the busy urban centres has to some extent reduced traffic congestion. But government will need to take a hard look at the way contracts are being awarded to ensure impartiality and efficiency. Otherwise, the rationale for privatisation will be defeated.

On the other hand, Uganda has continued to utilise foreign development finance to rehabilitate and upgrade her road network which deteriorated during political instability. The government has also put in place the Ten-Year Road Development Programme (1996-2006) which is aimed at creating an efficient, reliable, safe and well maintained road network by the year 2006. The entire programme is estimated at US$1.5billion and about 64% is expected to be financed by external sources.
Although Malaysia and Uganda have been receiving external financial assistance to carry out their development programmes, Malaysia appears to have benefited more than Uganda. The country has a robust and prosperous economy and her good and well maintained road network has been mentioned by various authors as one of the factors responsible for the recent rapid economic development. Malaysia has been relatively stable with only two incidents of political disturbances: the 1950s communist insurgency and racial riots in 1969. Malaysia’s stable political environment has been a great boon for her recent economic expansion especially through foreign direct investment (FDI). In addition, political stability has enabled government planners to be consistent, evaluate the impact of their plans, experiment other development strategies and carry out institutional reforms. Uganda, however, has largely been involved in civil wars and this has tended to lessen the impact of external financial resources on both her entire economy and the road sector.

However, both Malaysia and Uganda have been affected by external debt servicing. In the case of Malaysia, her external debt increased rapidly during the 1970s and 1980s when it borrowed from the World Bank and Asian Development Bank to develop her road network. Her external debt ballooned from US$6,611 million in 1980 to US$14,461 million in 1989. Despite that rapid increase in her external debt, Malaysia is still in a better position to service its external debt. This is partly due to the country’s good economic
performance which is supported by an export-oriented industrialisation strategy. On the other hand, Uganda is one of the heavily indebted poor countries in the world. Her debt servicing is largely made with great difficulty - the funds used for servicing debts are badly needed to support various economic programmes. Debt servicing absorbs a big portion of the country's export earnings and the economy is still in a poor shape. In 1998, Uganda's external debt stood at US$3.7 billion.

6.2 Main findings of the study

6.2.1 Main findings for Malaysia

i) That the good road network which Malaysia inherited at the time of independence was greatly supported by bilateral financial aid from mainly Britain. This financial aid was in form of grants from the Colonial Development and Welfare (CD&W) Fund and loans from both the British government and London capital market.

ii) That beginning from 1950, Malaysia received both financial and technical aid from members of the Colombo Plan to develop her road network. The Colombo Plan members included; USA, Canada, Britain, New Zealand, Australia and Japan.
iii) That in 1967 the UNDP sponsored a General Transport Survey in Peninsular Malaysia. The survey’s recommendations were supplemented by those of the Asian Development Bank’s Southeast Asian Regional Transport Survey of 1972/3. The recommendations of both surveys formed the basis of serious road development in Malaysia in the 1970s and 1980s.

iv) That with the launching of the New Economic Policy (NEP) in 1970, Malaysia initiated many big road projects to facilitate rapid economic expansion. These road projects called for huge resources which were not available locally and later compelled the government to make constant calls to multilateral financial resource from the World Bank and Asian Development Bank in the 1970s and 1980s.

v) That the establishment of Malaysian Highway Authority (MHA) in 1980 was also part of the government general initiative to implement the 1967 UNDP’s General Transport Survey.

vi) That bilateral financial aid towards Malaysia’s road development programmes was very crucial before 1980 and multilateral finance was important in the 1970s and 1980s.
vii) That almost all foreign development finance towards road development in Malaysia was in form of project grants and loans.

viii) That even with constant bilateral financial aid from mainly Australia, Britain, Canada and New Zealand, East Malaysia is still lagging behind in road transport compared with Peninsular Malaysia.

ix) That in 1991, Malaysia completely relaxed the utilisation of foreign development finance towards road development and vigorously continued to pursue privatisation.

x) That Malaysia's external borrowing for road development is partly responsible for the escalation of the country's external debt. This is largely true if one looked at the period 1970-1990 when the country borrowed from the World Bank and Asian Development Bank to carry out various road projects.

xi) That Malaysia has succeeded in utilising foreign development finance to develop her road network. By 1999, about 76% of the country's road network was paved. Malaysia's road network has been continuously mentioned as being one the best in the region. However, much of this development in the
country’s road network has been concentrated in Peninsular Malaysia leaving East Malaysia without modern highways.

6.2.2 Main findings for Uganda

i) Like Malaysia, Uganda inherited one of the best, if not the best, road network in the whole of Sub Saharan Africa at the time of independence. Even in terms of road density, Uganda’s road network was more established than that of Malaysia in the 1960s although in terms of per centage of paved roads, Malaysia’s road network was far ahead that of Uganda. However, Uganda’s road network was financed by Britain through CD&W grants, bilateral loans and assistance was provided to Uganda to secure loans from the London capital market.

ii) That even after independence, Uganda continued to receive British aid in form of Commonwealth grants, bilateral grants and loans to develop her road network. China and West Germany also provided some financial assistance in the 1960s.

iii) That in the late 1960s, Uganda for the first time explored multilateral financial resources from the World Bank to facilitate her two highway projects.
iv) That during the 1970s Uganda almost did not receive foreign development finance to develop her road network. This was because of the country’s external and internal political problems. Externally, Uganda got conflicts with Britain especially after Amin’s decision to expel all Asians who held British passports. By then, Britain was Uganda’s major bilateral aid donor and as it suspended its aid operations in Uganda, other Western countries like USA, Norway and Canada followed suit. Even multilateral financial institutions like the World Bank and African Development Bank suspended their operations in Uganda. All this led to the collapse of Uganda’s economy and great deterioration of her road network.

v) That although Britain, West Germany and the World Bank resumed their operations in Uganda after the overthrow of Amin’s regime, little impact was made on the country’s road network. Between 1981 and 1986, Uganda experienced a civil war and this too worsened the country’s economy and the entire road network.

vi) Between 1986 and 1995, Uganda was involved in rehabilitating and upgrading her road network which deteriorated during the two decades of political turmoil. By 1995 a reasonable part of the national trunk road network had been made passable with largely foreign financial assistance from various governments and multilateral institutions. But many road
sections of the feeder road network were still impassable. Even some road sections of the national trunk road network that had been rehabilitated were beginning to become impassable due to lack of regular maintenance.

vii) In 1995, the government came up with a Ten-Year Road Development Programme which is supposed to run from 1996 to 2006. The entire programme is estimated at US$1.5 billion and about 64% is expected to be financed by external sources. Already the World Bank and Ugandan government have signed an agreement for US$91 million loan to finance phase one of the programme.

viii) That Uganda is faced with institutional problems and most of her Public Works Departments are still ill-equipped to carry out road maintenance programmes.

ix) That Uganda has also accumulated a big foreign debt of about US$3.7 billion (1998). Part of this debt came from borrowings which were made by the government to finance road projects. Uganda is one of the heavily indebted poor countries of the world and the country is yet to benefit from the World Bank/IDA's heavily indebted poor countries debt relief initiative and is also among the countries that will benefit from the Britain's 650 million Pounds bilateral debt relief package.
Uganda's road network has numerous weaknesses and only about 13% of the 32,000km of roads are paved. Most of the country's initial benefits from foreign development finance were eroded by political instability as many road sections remained unmaintained. Because of the country's poor economic performance, road development heavily rely on foreign development finance.

6.3 Lessons for Uganda from the Malaysian experience

There is no doubt that Malaysia has managed to construct, maintain and develop a good road network. Part of this great achievement has been facilitated by foreign development assistance in form of finance and technical expertise. Malaysia's good road network has been endlessly mentioned by various authors as one of the factors responsible for the country's recent economic success. However, on the other hand, Uganda has also been receiving external financial aid and at one time the country had one of the best road networks in the Sub Saharan Africa. But due to the country's political instability in the period (1971-1986), her benefits from the foreign development finance were greatly eroded. During that time, many road sections remained unmaintained and became impassable. Hence, Uganda has
to emulate Malaysia's good experience in utilising foreign development finance to develop her roads. The lessons for Uganda are as follows:

i) Political stability.

Political stability is important for the success of any economic programmes. A part from the communist insurgency of 1950s and the May racial riots in 1969, Malaysia has largely been politically stable. This has helped the country to maximise the usage of foreign development finance. Hence, it is not only good methods in handling foreign development finance that matters but also the political environment where the financial resources are being injected. Uganda which has been largely unstable should emulate Malaysia's stable political environment. Things like participatory democracy, education, establishing strong institutions and a committed government matters a lot in development.

ii) Institutional reform

Malaysia's political stability has enabled the evolution and constant reform of institutions to take place so as to cope up with the changing transportation needs. In here, the establishment of Malaysian Highway Authority (MHA) in 1980 is a good example for Uganda to emulate. This will go a long way in correcting institutional difficulties. Malaysia's well established Public Works Departments is another example for Uganda to emulate.
iii) Establishing an efficient and balanced road network

Like Malaysia, Uganda also needs to establish a well developed and efficient road network. The percentage of paved roads in Uganda is very much discouraging and should be increased from its current level of 13% (out of 32,000km). This is important for attracting local and foreign investors and widening the local markets.

iii) Conducting a general transport survey

Like Malaysia which carried out its transport surveys in 1967 and 1972, Uganda need to do the same to ascertain the real transport needs of the country. In addition, the general transport survey will help to find out transport priorities and this will avoid wasting resources. The UNDP may sponsor the survey through its programme which offers assistance to landlocked countries like Uganda.
iv) Balancing road construction, rehabilitation and maintenance.

Malaysia has managed to build, maintain and improve its road network basing on the needs of the time. But all this calls for strong institutions and consistency in planning. If Uganda is to attract foreign investors and further up its development plans then there is no option but do it "the Malaysian way." Malaysia has managed to attract foreign investments because of her good road network. Uganda can seek for technical assistance from Malaysia through Malaysian Technical Cooperation Programme (MTC).

v) Privatisation of the road sector

Uganda's recent decision to involve the private sector in road development can be done better with the assistance of Malaysia. Malaysia's privatisation programme has been largely successful especially through its BOT system. Uganda can seek for Malaysia's technical assistance to see where BOT can work in the Ugandan context.

vi) Availability of information regarding the country's road sector

This is not only important for the road sector planning but also keeping the road sector at the same pace with the entire economic development. The
availability and accessibility of information is very essential in development. The Malaysian Prime Minister, Dr. Mahathir Mohamad is quoted to have said that, "it can be no accident that there is today no wealthy developed country that is information - poor, and no information - rich country that is poor and undeveloped." This may be the most important division of the world today: between the least-informed and the most-informed. The least -informed lack the means to communicate, to assess themselves, to receive advice, to be empowered to help themselves and be helped (Browne, 1997). On the same issue, Ries (1999: 81) quotes the former IMF chief, Michel Camdessus, to have stated that, "We cannot overemphasise the importance of high-quality statistical data... Such data are an influential factor in improving economic policy and an essential aid to potential investors in evaluating countries' economic policies and performance. They allow the markets to become more informed and selective, and constitute a first-class protection for countries with good policies..." All this clearly manifests the importance of information towards development.

Malaysia has managed to register rapid economic success partly because of her consistent planning, availability and accessibility of information about the country's economic investments. This can be easily observed in the seven Malaysian development plans. In Uganda where the reverse is largely true, something must be done to improve the situation.
Consistent road planning and development

Since independence, Malaysia has been patiently planning and developing her road network. The country's road and road transport needs have been changing with the changes in the economy. Uganda needs to emulate that method of development.

Attaching the same importance to all roads

Like in Malaysia where all roads including kampung (village) roads are a national priority, Uganda needs to do the same. Categories like community roads should not arise. In fact community roads should also be as safe as the national trunk roads for balancing development. Community roads are used by school children and sick mothers who are visiting hospitals. To stipulate that the communities concerned should develop community roads is underrating their importance to the people and to national development. These roads should not be maintained by the sub countries as it is beginning to be perceived. The respective districts should assume the responsibility of developing community roads but funding should come from the central government.
6.4 Final conclusion

As it may be difficult to tell how worse off both Malaysia and Uganda's roads would have been without foreign development finance, so it is to prove how the two countries have benefited from the same arrangement in the period 1960-1999. However, by and large both Malaysia and Uganda have benefited from foreign development finance in carrying out their road development programmes. This has been the case since the colonial period and especially so when the local resources have not been adequate.

In both cases, foreign development finance has been secured to build roads which in turn would facilitate economic development. Malaysia borrowed funds from multilateral financial institutions like the World Bank and Asian Development Bank in the 1970s and 1980s to carry out her road development programmes. In Uganda road development has been relying on external finance except in the 1970s when most of the donor governments relaxed their aid operations in the country.

Malaysia has managed to build, maintain and improve her road network and the network has maintained its superiority to those of her neighbours in the region. By 1999, about 76% of the entire road network was paved. But due to rapid economic expansion, the very network has become inadequate. In
addition, more work still remain unfinished in Sabah and Sarawak states (East Malaysia) where modern highways which are essential for attracting investors are lacking. In Peninsular Malaysia where the rate of motorisation is higher, the construction of toll expressways will have to be supplemented by other approaches like strengthening the public transport, pursuing an inter-modal approach, improving traffic management by introducing modern technology, integrating traffic management and strengthen traffic information availability and accessibility to the road users.

In Uganda where political instability led to the deterioration of the entire road network, rehabilitation programmes are still continuing with largely foreign development assistance. But rehabilitation programmes should be balanced with maintenance programmes. The percentage of the country's road network under bitumen should also be expanded to attract foreign investors and broaden domestic markets.

It should be noted that foreign development finance does not come with only benefits but also debt-servicing difficulties. Debt- servicing is not easy especially to a country whose economic performance is poor. Servicing external debts absorbs a big part of the country's foreign exchange earnings from exports. However, Malaysia's experience towards servicing her
external debt has been largely good while that of Uganda has been poor. This difference is also reflected in their economic positions.

Furthermore, the establishment of roads is not the only factor required for achieving development. Other factors like political stability, availability of skilled manpower, good economic policies and strong institutions are equally important (Ries, 1999). In the case of agriculture development, the contribution of roads is more likely to be realised when farmers are provided with modern farming tools, improved seeds, agriculture extension services and fertilizers (Di Marco, 1972). Like wise, the effectiveness of the external development finance in a recipient country almost calls for the same conditions. In addition, the utilisation of foreign development assistance is supposed to be provisional and it is hoped that overtime the accumulation of local savings will reverse that trend (Dhonte, 1979). This has largely been the case in Malaysia and is still far from being realised in Uganda.

6.5 Suggestions for additional research

1. The role of foreign development finance towards road development in Malaysia and Indonesia or any other country in the South East Asia.
2. The role of foreign development finance towards road development in Uganda and Kenya or any other country in the Sub Saharan Africa.

3. Privatisation to end foreign development finance towards road development in Malaysia and Indonesia or any other country in the South East Asia.

4. The role of local and foreign financial resources towards road development in Malaysia.