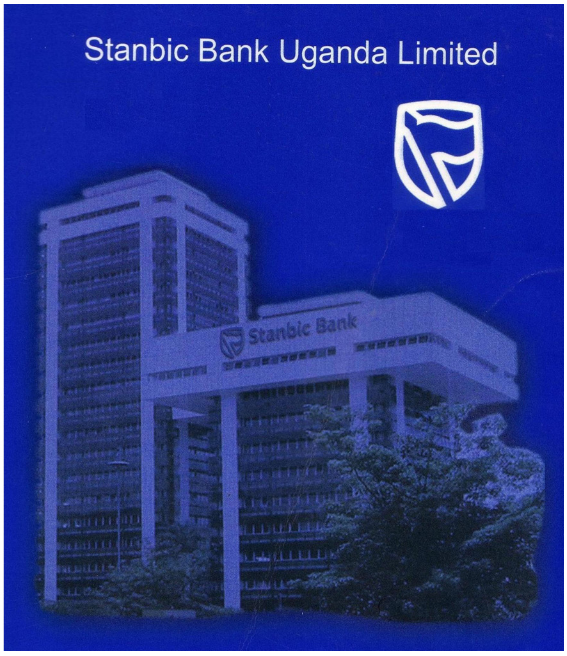
The Impact of Privatisation of State-owned Enterprises on Employees: *A Case Study of Uganda Commercial Bank, now Stanbic Bank Uganda*



BY

JOSEPH K. MUSOKE

Thesis submitted in partial fulfilment for the award of Master of Philosophy in Development Geography

Department of Sociology and Human Geography

University of Oslo

November 2008

My Wife Leonidah & Children: Pauline, Paul, Paula and Pamela;

My Parents Kashagama Athanazius and Nyamicwe Teodozia.

TABLE OF CONTENTS

ACKNOWLEDGEMENTS

I am grateful to the almighty God for the strength and sustenance throughout this course.

I am grateful to the University of Oslo and the department of Sociology and Human Geography for providing me the opportunity to further my education.

I am truly grateful to my supervisors David Lier and Anne Cecilie Bergene for excellent guidance and support throughout the thesis process.

I also thank the Norwegian government for the financial support in educational institutions from which I have benefited

I am forever grateful to my family and am deeply indebted for the long time I have been away from you. I appreciate all the support in various ways throughout the thesis process and the years at the university.

I wish to extend my sincere thanks to all who have been instrumental in the compilation of this thesis and during my entire course. I know its hard to exhaust the list but of special mention are Karl Norli, Prof. Jan Hesselberg, Anders Bjørndal and staff at the Dept of Geography, Stine, Målfrid, Nidas, Komunda, Ssekitoleko, 'Asiimwe', 'Nafuna', 'Arinda' Elizabeth, Narh, Kisuule, Mathew & Rose, Students in the Development Geography course and my Mother. You have taught me a lot. My sincere thanks go to the informants without whom it would have been had to compile this report.
May God bless you all.

ABSTRACT

The world is changing from highly government planned development to supervisory and regulatory roles while the private sector is empowered as the new engine of development. Privatisation is one of the reform policies that has been undertaken to achieve this objective and it has almost moved through all economies the world over.

Under privatisation public enterprises change hands to the private sector where structures, conditions and employment levels change. Characteristic of this policy has been reduction of employees in order to maximise profits. It is the profit motive and cost – reducing strategies that have resulted in the need for the private to maintain a smaller number of workers.

Implementation of privatisation has had opposition due to the change in ownership and the related benefits.

In developing countries privatisation is linked with the indebtedness of the countries and as a result the enterprises are sold off to be able to pay the debts leaving no money to re-invest or fund social services needed for the countries. Privatisation is a policy that has profoundly affected every country the world over but unfavourably in developing countries.

In line with that background, the employees are retrenched and not adequately compensated which impacts adversely on their welfare and ability to lead a descent life.

Chapter One: Introduction and background information

1.1 Introduction

This thesis examines the impact of privatisation on labour in State Owned Enterprises in Uganda through a case study of Uganda Commercial Bank (UCB), now Stanbic Bank. This study was undertaken to gain more insight into the problems employees face when enterprises change hands. The State was the sole owner of Uganda Commercial Bank from 1965 up to 2001 when it was finally privatised. Until recently the government was a major employer in the civil service and parastatals in Uganda.

Since 1980s there has been international financial and socio-economic intervention policies in developing countries like Uganda and enforced mainly by the World Bank and International Monetary Fund (IMF). These economic reforms are referred to as the Structural Adjustment Programmes/Policies (SAPs). The policy package is founded on the neo-liberal political and economic ideology which stresses free market (de-regulation), efficiency (profitability), competition and private enterprises (privatisation) as the engine of development. The important features of Structural Adjustment Programmes are in principle centred on efficiency, the market and maximisation of profits. It is common belief that efficient use of resources with good management yields high output, high sales and high profits. But what does this mean for labour if the enterprise is to be efficient? Does efficiency and profitability improve the quality of labour? Does the profit motive lead to development? Answers to these questions are sought using the context of Uganda and developing countries in general. The development the region needs and Uganda in particular is the relevant, sustainable and one that will make improvements in the quantity, quality of goods and services to its people and quality life for the workers that produce the goods and services. The findings of this study (See chapter 5) will add detail and depth to an information base as recommendations for the way forward regarding government, labour and the private enterprises in the wave of privatisation.

1.2 Privatisation and economic reforms

The international financial institutions decried the performance of public enterprises and to some extent the local community was dissatisfied with service provision which culminated in a transformation of the economies by taking on Structural Adjustment Programs/Policies such as privatisation especially in developing countries like Uganda (Tangri *et al.* 2001). Economic reforms are corrective measures in an economy with the aim of changing and removing faults, inconsistencies and abuses from the existing systems and replacing them with efficient methods and rules of operation in a new set up (Castree *et al.* 2004). Therefore economic reforms are instituted because something is perceived to be wrong in the economy and is not performing to the expectations. Reforms normally cut across all sectors of the economy though not exactly in the same way and so the people in the different sections of the economy are affected differently too (Ddumba *et al.* 2001). The aim of reforming any economy should be to improve and make it more efficient as shown in the quotation:

> "The objective of reforming any economy is to make it more efficient so that it can provide the greatest public good to the largest number of people" (Ariff and Iyer 1995:323)

Privatisation therefore was adopted to correct economic ills and transform the country's productivity to meet the needs of the people and to set a stage for further development. Privatisation as a policy reform is founded in the wider neo-liberalism ideology that stresses the belief that profits for businesses are the key driving force behind any economy. The state should provide an enabling environment to the private enterprises while it divests its interests in business in the economy. Market forces are left to allocate resources and influence economic decisions (ANSA 2007; Engler 1995; Hoogvelt 2001)

1.3 Privatisation as a paradigm of development

Countries strive to develop because development enables people to enjoy quality life, goods and services. Development has been defined as social change over time which involves positive and negative changes, and is associated with a desired realisation of values, principles or actual conditions (Lafferty 1999). Some authors have noted that for development to be sustainable it should encompass issues of equity, fairness in resource distribution, and human rights and so it is not for its own sake (ANSA 2007; LaRRI 2002). States should have the responsibility over social services such as water, health, energy and education above what market forces dictate because they form part of the basic human rights and responsible or accountable governments need to observe such ethics as they crave for development (ANSA, 2007). Development is meaningful if life for those who create the wealth is better and they feel are part of it as supported by Bollier (2002) when he remarks that people are likely to be better stewards if they are part of and responsible for the process that provides for their welfare and livelihood. Development that is desirable therefore addresses political, economic and socio-cultural aspects of the people and should be sustainable (ANSA 2007).

Privatisation is a paradigm of development which has remained highly contested in theory and in practice (Stiglitz 2003; Suzan 1999). One wonders how privatisation can bring development when employees are losing jobs, social service organisations are closing. Most African countries received loans from IMF and the World Bank in the 1960s and 1970s to finance their development soon after independence. By 1980s the debt became too big for these countries to pay that it became debt crisis. The debt owed to IMF and the World Bank was used as a weapon against them in 1980s and 1990s (ANSA 2007) and also as a social and economic control mechanism to keep the indebted countries enslaved by structural adjustment programmes (Stiglitz 2003). Many of the countries that took on SAPs following the debt crisis have registered minimal improvements (Stiglitz 2003; LaRRI 2002).

The post-independence structures which were built after the physical departure of the colonial masters were intended to cater for the welfare of the masses through providing goods and services at low prices in health care, education, transport and employment in order to pave way for development. Nationalisation of some private enterprises after independence was done by many countries such as Ghana, Tanzania, Zambia and Uganda as a strategy to consolidate the attained independence. When the first government assumed office, it was a moral and legal contract between the state and the nationals to commit the government to ensure that their welfare is observed (Brett 1995; Brownbridge et al. 1998).

1.4 Privatisation and labour

Many public enterprises were established among other reasons to create jobs for the masses as a way to benefit from the gains of independence and often as a political move to win popular support. Until recently public enterprises employed many people yet protected them from completion; paid high salaries, gave fringe benefits and subsidies. Terms of employment were commonly according to constitutional and international labour laws which tended to favour workers. Long term labour contracts and collective bargaining agreements gave job security guarantee to many workers in state owned enterprises. These features resulted in high labour costs, restricted employers (managers) to hire and fire or transfer employees. The workers were not putting in their best leading to poor performance and loss making public sector (Kikeri 1998; Privatisation Unit 2000). Privatisation was introduced so as to change objectives and in effect to lower wages and employment levels so that enterprises could make profits, generate surplus to fund social services and mobilise capital to expand and modernise the economies (Kikeri 1998).

1.5 Double standards of privatisation in developing countries

Some scholars have argued that IMF, the World Bank and World Trade Organisation, the so- called the Bretton Woods institutions (also referred to as institutions of globalisation) are part of an agenda by the US and Western powers, to open markets in other economies for their goods through dictated Structural Adjustment Policies (Stiglitz 2003). As part of the austerity (sobering) measures embedded within the SAPs there is drastic reduction in expenditure at the expense of service provision to the population in areas of health care, education, social services and overall investment. Consequently economic depression and social upheaval have usually resulted (Susan 1999; Stiglitz 2003). Neo-liberal policies demand that developing countries remove subsidies and open their markets to foreign flow of goods and capital as developed countries subsidize handsomely their own agricultural products and textiles industries where developing countries have comparative advantage and relevant interest.

The global financial institutions IMF, WB, and WTO are financed by many countries, yet they are essentially controlled by the central banks of a few powerful states and where a single country, the US, has veto power (to change or reject policy action). In effect, therefore the world economic order and reform programmes are global governance *without a global government* that can claim ultimate neutrality in the implementation of policies such as SAPs. Some authors maintain that political and economic interest take precedence over the claims to bring about advancement in developing countries (Suzan 1999). When capital markets are established in economies of developing countries and marketable activities and resources attract foreign capital, the depletion of the resources and eventual withdrawal of the foreign capital with interest, leaves behind collapsed currencies and weakened banking systems. In short, foreign capital is at times used to draw out the little that there is in the less developed economies. The loans from the World Bank and Western countries still have to be paid even when the projects they financed fail (Stiglitz 2003).

According to Hall (2000), most African domestic markets are smaller than in other regions with limited possibilities of competition and neither competition nor regulation is very effective. This situation has therefore made many African countries desperate for investment. In order to attract investment almost at all costs, many African countries have had to give such incentives as tax holiday, exemption from import and export duties, and provision of infrastructure services paid by the host country to foreign investors (ANSA 2007). Some countries have even granted exemptions from national labour laws and environmental regulations. According to many authors, the institutions of globalization have continued to impose a series of damaging policies on economies of developing countries as conditions for their loans (Stiglitz 2003; Susan 1999; ANSA 2007; Oxfam 2006). This helps to show that Structural Adjustment Policies have been very costly for developing countries and financial institutions of the respective countries have been used as a channel to achieve whatever these reforms were intended, as discussed in Chapter Two.

1.6 Objectives of privatisation in Uganda

The emphasis was to improve the efficiency of all state owned enterprises, whether retained or divested. The Government decided to distance itself from direct involvement in business, and thus to divest most of its interests whether in loss making or in profit making state owned enterprises. All commercial state owned enterprises were to become available for both foreign and local participation using suitable methods of divestiture including liquidation where necessary.

1.6.1 Primary objectives

The following were the primary objectives as defined in the Government's policy statement on Public Enterprise Reform and Divestiture:

- To improve the operational efficiency of enterprises that were in the public sector, and their contribution to the national economy;
- To reduce the burden of state owned enterprises on the Government budget;
- To expand the role of the private sector in the economy, permitting the Government to concentrate public resources on its role as provider of basic public services, including health, education and social infrastructure; and
- To encourage wider participation by the people in the ownership and management of business.

In accordance with the primary objectives the Public Enterprise Reform and Divestiture programme aimed at:

- Transforming, through commercialisation, restructuring and divestiture, the performance of most significant enterprises in the Public Sector; and
- Ensuring liquidation of all non-viable state owned enterprises in the shortest time possible.

1.6.2 Secondary objectives

In pursuing and consistent with the primary objectives, the Public Enterprises Reform and Divestiture intended to ensure that divestiture meets the following secondary objectives so as to:

- create a more market-oriented economy;
- secure enhanced access to foreign markets, capital and to technology;
- promote the development of the capital market

Likewise the process of commercialisation and restructuring was designed to ensure that those State Owned Enterprises (SOEs) that remained in the public sector:

- were responsive to markets, cost-conscious and profit oriented;

- acted as business entities without being required to carry out non-commercial activities except when explicitly compensated by Government;
- did not encounter political interference in their operations including the banks;
- were guided by supervisory agencies to respect consumers' interests;
- had boards and managements that were autonomous and accountable; and
- had effective performance monitoring systems.

Given these objectives the Public Sector Reform and Divestiture programme was expected to:

- increase private sector savings and investment (both local and foreign) in all sectors of the economy which, in turn, would stimulate sustainable employment opportunities;
- increase tax collection from businesses that become more profitable after privatisation
- create an environment that would encourage private investment and the emergence of indigenous entrepreneurs; and improve the quality of delivery of goods and public services.

(Privatisation Unit 2000)

1.7 Background for the research

In the 1960s and through the 1970s economic development strategies for many countries were based on wide spread philosophy that creation of Public Enterprises (PE) or control of the *commanding heights of the economy* ensured creation and equitable distribution of wealth (Stanislaw *et al.* 2002). This choice to create public enterprises as a major vehicle for economic development resulted in large sector for governments to adequately fund and maintain. In Uganda the public sector was inherited from the colonial government; through the nationalization policy after independence, and the expulsion of Indians in 1972 in which some of their businesses were transferred to the public sector

Uganda Commercial Bank a fully state owned financial institution in its preparation and final privatisation many employees lost jobs before and after privatisation. As a result a large number of employees were laid off with small retrenchment package which caused hard conditions for them to settle in the private sector. There was no assistance given to the retrenched from the government and appeals took so long that many gave up before the redress and were disgruntled. This reduction in the number of employees was done under the labels of efficiency and securing a better price for Uganda Commercial Bank. Some of the foreign 'imported' workers are better paid than the local employees at the same level. The privatisation of Uganda Commercial Bank was characterised by conflict of interests, political disagreements and corruption which did not reflect the true values of the bank and right compensation of the retrenched employees (Taina 2004).

1.8 Rationale for the research

The inspiration behind this study emanated from the observation of rapid changes and dwindling numbers of employees in banks and other state companies in Uganda. A number of relatives and friends who worked and held high positions in the bank were retrenched which has caused untold suffering till now. Their children were removed from the good schools to average public schools where school fees and other requirements were affordable and all dependants were sent away. Some friends and former workers have died miserably after failing to get another job partly due to the specialised training for the job in the bank. A branch Manager of UCB Kasese in 1994 committed suicide by dropping into the river and died; she had been earmarked to be laid off. The major employers in the 1970s up to 1990s were shading off employees at an alarming rate and banks were no exception, the counters were being reduced, many employees laid-off, others substituted by computers and Automated Teller Machines (ATMs), in the case of Uganda Commercial Bank. Other local banks were closing down such as Greenland bank, International Credit Bank (U), Uganda Co-operative Bank, and Sembule.

Uganda Commercial Bank provided a better choice for the study mainly because it was 100 percent owned by government and it was privatised to a foreign strategic investor who bought almost all the shares save for 10 percent of the shares that were sold to the public. This situation provided a good background for a distinct evaluation and judgement of the different decisions taken either in favour of public (government) or private and not both. Uganda Commercial Bank was the backbone of the entire banking system in Uganda, so liquidation or closure were no realistic options since it would have been politically unpopular and financially disastrous for the entire economy (MoFPED 2004). It was the biggest commercial bank the country had and was geographically well distributed throughout all the administrative regions (districts) of the country then. The bank employed many workers and also from different districts of the country making it fairly representative of the people of Uganda. As a bank it was an important institution since it provided funding for different economic and social activities in the country. It was an instrument the government also used to fulfil its politically geared programmes.

A bank deals with money which can be called *the blood of the economy.* The production and consumption of goods and services in an economy of a country or a smaller unit is calculated in terms of money. This means that money and the influence of the bank reaches every part of the economy. A study of a bank, the nature and role as that of Uganda Commercial Bank means that part of the economy and country have been involved in the study. Besides the employees came from different parts of the country and they held varied social views and perspectives from those regions about the bank and development. In a number of respects therefore, Uganda Commercial Bank provided a good study because of its importance to the economy and the value most nationals accorded it as reflected in how it came to be known as *the people's own bank,* showing that it was user-friendly and that it belonged to the nationals. The bank's geographical distribution country wide delivered services nearer to the *common man* and its big contribution to the national economy meant also that its establishment involved and benefited many people. From that background therefore, I have no doubt in my mind that Uganda Commercial Bank as a case study is generalizable in a number of aspects for Uganda's privatisation process.

This study provides an analysis of the impact of privatization on the vulnerable section in the chain of production and creation of wealth amidst global transforming policies. It is my conviction that sufficient and quality workforce is the future of any one country, meaningful contribution to development and continuity. Under the new pro-market economy policies government has little direct control of the operations of the private enterprises and labour standards. With privatisation workers are trapped among the different forces; the seller (government), the buyers (private firms/corporations) and global forces (declining resources, exchange rates, inflation, politics) that influence labour livelihood. Workers are expected to have a fair share of the benefits from economic reform programmes since they are stakeholders in the production and wealth creation process, but quite often they are ignored. The study looks at the socio-economic impact of privatisation on these vulnerable workers and to propose some measures that could be a way forward to better the conditions for workers.

1.9 Statement of the problem

There have been many studies carried out on privatization of State Owned Enterprises (SOEs) in developed and developing countries. However, much of the research has been carried on a general basis not particularizing an industry. In Uganda, although research has been done on privatisation of state owned enterprises in relation to performance, profitability, increase in productivity and impact on society there is still need to assess the impact of privatisation on employees because the survival and continuity of a country depends on its workforce in terms of quality, quantity, right placement and its dignity, most especially in developing countries where many enterprises use labour intensive techniques.

Privatization has been the most controversial set of programs that continues to affect everybody in Uganda. The former main employer, the government, has divested the responsibility to the private sector. There is less direct government control and follow up in the conditions of workers since now most workers are employed by private employers who follow a different design of doing business in general. Profit maximization as the main drive in order to remain in business is in most cases at the expense of the workers' welfare and provision of a living-wage. As government privatised the enterprises employees were *disowned* and they had to join the private sector apart from underpaying them (exploitation) the conditions of work are often harsh and with limited job security. Many employees leave in constant fear of retrenchment as private entrepreneurs use cost-cutting strategies to avoid making losses. Employees are viewed as a major cost of production and also a problem to profit maximisation of enterprises. Pro-market economy policies such as privatisation adopted by the private employers have weakened employer-employee contracts giving a lot of power to the employer freedom to *hire and fire.* The position of employees after privatisation has not only changed but it is less defined in and susceptible to exploitation since there are fewer social organizations to defend them and government policies to protect them have been divested to the private sector. As a result layoffs, employees have heavy workloads, worked longer hours than may even be stipulated in the contracts, casual and short term contract work, and job insecurity.

In an effort to improve the performance of public enterprises, government has privatised them and this study wants to establish what it means and entails for the worker in the face of these changes.

1.10 Objectives of the study

- To assess the effects of privatisation on the welfare of employees in Uganda Commercial Bank, now Stanbic Bank.
- To assess the extent to which the conditions created by privatisation have affected the ability of the employees to improve the quality of life.
- To make suggestions which seek to improve the welfare of an employee.
- To find out the effects of privatisation on the public (clients)

1.11 Research questions

Main question:

What are the impacts/effects of privatization of Uganda Commercial Bank, now Stanbic Bank on employees?

Supporting questions:

- What are the effects of privatisation of Uganda Commercial Bank on its former employees?
- What are the effects of privatisation of Uganda Commercial Bank on current employees in Stanbic Bank?
- What are the effects of privatization of Uganda Commercial Bank on public
- How is privatisation perceived by current and former employees of UCB/SB

1.12 Thesis outline

This thesis is organised in 6 chapters:

- Chapter 1: Gives the introduction and brief out line of core concepts and general themes leading to my research question.

- Chapter 2: Discusses the privatisation in general giving the origin, implementation and its challenges. It also gives a discussion of the privatisation theory.
- Chapter 3: Covers the Uganda's history of Independence, its influence in the formation, operations and finally its privatisation.
- Chapter 4: Methodology
- Chapter 5: Gives a presentation of results, discussion and interpretation of the findings and consequences of privatisation of Uganda Commercial Bank
- Chapter 6: The final chapter gives summary, concluding remarks, recommendations, limitations and the need for further research

Chapter Two: Privatisation origins, operations and challenges

2.1 Introduction

In this chapter I will start by looking at some of the terms and other related policies used under privatisation and also definitions of privatisation as they carry with them less common usage and can be a potential source of contention and misunderstanding. I will begin by giving basic meaning in which I understand some of the terms and have used them in this thesis.

2.2 What is capitalism?

Capitalism is an economic system characterized by private property ownership; individuals and companies are allowed to compete for their own economic gain; and free market determines the prices of goods and services. Such a system is based on the premise of separating the state and business activities. Competition among firms leads to innovations and growth and no economic wastage. Firms unable to cope with the competition close down or are swallowed up. According Obrinsky (1983), Capitalism is a socio-economic system that rests upon the endless pursuit of profit and capital accumulation whose normal operations lead to and require material production and consumption through expansion of markets (expansionism). It is based on the limitless exploitation of human labour and natural resources. However, the expansionism and capitalist accumulation has stretched resources to depletion and environmental crisis that has resulted into protracted struggle for resources (Harvey 2003). However, there is a structural tendency within capitalism that generates unemployment through use of highly specialized technology to take up tasks formerly done by many workers. The system is characterised by massive production which helps to reduce production costs due to economies of scale. Capitalists believe that markets are efficient and should thus function without interference, and that the role of the state is to regulate and protect the dignity of money (Castree *et al*. 2004; Harvey 2003; Obrinsky 1983).

2.3 What is liberalisation and neo-liberalism?

Liberalisation is the removal or easing of restrictions on activities previously a monopoly of state owned enterprises intended to increase competition and permit private enterprises' entry into the previously protected markets. A form of privatization will have occurred even though no transfer of ownership of assets has been involved (Cook *et al.* 1988). The concept of liberalization is an ideology advanced by bilateral and multinational corporations such as International Monetary Fund (IMF), the World Bank and Inter-American Bank which requires countries to ease conditions over state-provided goods and services to allow the private sector to take a dominant role (Cook 1988). To reduce state intervention into business enterprises that contribute to the economy of the country, the World Bank and IMF usually recommend that the states use neo-liberal economic policies.

The term 'neo-liberalism' comprises of two notions, namely "neo-" meaning new and "liberal" meaning free from government intervention. Liberalism stems from the works of Adam Smith who, in the mid 1770s, advocated a minimal role of government in economic matters so that trade could flourish. Smith and others advocated the abolition of government intervention in economic matters. This meant no restrictions on manufacturing, no barriers to commerce, no tariffs to trade, and according to Smith free trade was the best way for national economies to develop. Economic liberalism prevailed in Europe for over 200 years until 1900s. Then the g*reat depression* of the 1930s led an economist named John Maynard Keynes to a theory of *welfare states* which challenged liberalism ideology as the best policy for capitalists. In essence, Keynes' theory advanced that full employment was necessary for capitalism to grow and that it could be achieved only if governments and central banks intervened to increase employment. Keynes' ideas changed life for many people because improved welfare of citizens became the duty of governments to guarantee. The belief that government should have due concern of people's welfare for the common good became widely accepted world wide. Then, there arose the capitalist crisis over the last 30 years or so, where profit rates have been shrinking, which inspired the capitalist elite and political authorities like Margret Thatcher and Ronald Reagan to revive economic liberalism. It is the reintroduction of the economic liberalism that makes the ideology "neo" or new (García *et al.* 2007). Therefore an important part of neo-liberalism is the liberalisation. Privatisation is founded in neo-liberalism ideology.

Neo-liberalism is a political economic doctrine that is radically opposed to communism, socialism and forms of active government intervention beyond that required to secure profits for the private enterprises. According to Harvey (2003) it is a political movement that embraces economic liberalisation as a means of promoting economic growth and development and it endeavours to secure political legitimacy to operate. The movement is sometimes described as an effort to revert to the 18th and 19th century economic policies of the laissez-faire classical liberalism (Harvey 2003). It is based on "the belief in free market capitalism and the rights of the individual" (Oxford English Dictionary 1989). Neo-liberalism was shaped in 1940s by thinkers like Von Hayek, Friedman, Ludvig and Karl Popper. Privatisation and liberalisation are the core of the neo-liberalism movement in which assets held by the state in common are leased into the market so that they could be upgraded (Harvey 2003). It is a theory which emphasizes deregulation and reduction of state monopoly in business but government should play a main role to guarantee equal opportunities, protection of the individual, prevention of discrimination and assurance of the necessary frame conditions for a free market. The basic ideas behind neo-liberalism include: reduction of the role of state in regulating the economy so that market forces allocate resources; countries should liberalize and open up their economies to foreign trade and investment and stop protecting their own industries; governments should reduce social spending so as to limit budget deficits; countries should adopt an open-door policy on profit repatriation by transnational companies and labour market should be deregulated and wage increments be kept in check to allow the flexibility required for business expansion and to control inflation. These conditions encourage private sector involvement and foreign investment (LaRRI 2002:6).

2.4 What is globalization?

Globalization is the expansion of international economic activity which includes increased international trade, growth of international foreign investment, international migration, and increased creation and movement of technology among countries. Globalization is the increasing world-wide integration of markets for goods, services, labour, and capital (Graham and Hirst 1999). But Folker and Heinrichs (1980) view globalization as a way of closing down enterprises/manufacturing plants in developing countries and superior firms investing in developing countries where original workers lose their jobs and are obliged to sell their labour power as unskilled or semi-skilled and if they are to be re-employed then it is at worse terms than before. Globalization advocates assert that for development to take place, privatization, liberalization, downsizing of government (civil service), reducing governments' intervention and protection of private property must be guaranteed. All in all globalization, neo-liberalism, capitalism, liberalism and privatisation are centred on the market economy and private ownership as opposed to the state.

2.5 Structural adjustment program/policies (SAPs)

This is a term used to describe the policy changes which the World Bank and International Monetary Fund (IMF) implement in developing countries as a requirement to qualify for new loans from the World Bank and IMF or for obtaining lower interest rates on existing loans. These policy changes are *conditionalities* to qualify for new World Bank and International Monetary Fund (IMF) loans and assistance so as to make debt repayments on the older debts owed to commercial banks, governments and the World Bank. These *Conditionalities* have sometimes been referred to as the *Washington Consensus*. The main focus for SAPs is to remove "excessive" government controls and promote market competition as part of the neo-liberal agenda spearheaded by the Word Bank, IMF and World Trade Organization (WTO).

The Conditionalities Advanced by World Bank and IMF:

- Cutting social expenditures also known as austerity measures,
- Economic output focused on direct export (resource extraction)
- Devaluation of currencies to make exports cheap and imports expensive,
- Liberalization of Trade by lifting import and export restrictions,
- Encourage foreign direct investment,
- opening of domestic stock markets,
- Spending within budget limits and not overspending,
- Removing price controls and state subsidies
- Privatisation or divestiture of all or part of state-owned enterprises,
- Enhancing property rights of foreign investors with national laws,

- Improving governance and fighting corruption.

Conditionalities are implemented to ensure that the money lent is spent in accordance with the overall goals of the loan and to reduce the countries budgetary problems. In general, it is claimed that loans from both the World Bank and IMF are designed to promote economic growth, to generate income and pay the debt which developing countries have accumulated. Structural Adjustment Programs generally implement "free market" programs and policy.

Each of the conditions as fore stated are interconnected and with far-reaching adverse effects especially on economies in developing countries. For example, SAPs require countries to devalue their currencies against the dollar so that exports are cheaper for foreigners to buy while foreign imports become expensive. This is done to make the developing countries ‘cautious’ of buying expensive foreign imports. For the crucial equipment the countries need, IMF then extends large foreign currency loan to acquire them. The contradiction and double standards in such an arrangement is that it is very difficult to generate income from the cheap exports causing the countries to accumulate more odious debts.

Over the years the term "Structural Adjustment Program" has become unpopular especial in the late 1980s that the World Bank and IMF launched a new initiative, the Poverty Reduction Strategy Initiative (PRSI) and Poverty Reduction Strategy Papers (PRSPs) that involve more local participation. While the name has changed, the World Bank is still forcing countries to adopt the same type of policies as SAPs.

2.6 What is privatisation?

Privatisation is defined as the transfer of state owned and controlled enterprises and assets to private individuals (Cook 1988). It has become one of the most widely discussed subjects in economic policy in the last three decades or so and has continued to be a central focus of debate even in the 21st century as many countries move toward market economies. Kay and Thompson (1986), however consider privatization as a term which is used to cover several distinct and possibly alternative means of changing the relationship between the government and private sector. The interest in privatization stems from the commonly held belief that private firms produce and deliver goods and services more efficiently than state controlled enterprises. Although the empirical evidence on this and related issues is mixed, the pace of privatization has continued to accelerate everywhere (Cook 1988).

Privatisation is the opposite of nationalization and it takes different forms but all intended to introduce and entrench the private sector as the engine of development that is, in the provision of goods and services relieving the state to perform the regulatory role in the economies. Joint venture is one of the forms in which the state-owned enterprise sells shares to a private company or more. Contracting out the production or provision of service or product to a private firm for a specified period of time is another way of increasing the private involvement in the public sector. Commercialization is yet another form; a less popular among service users in which the product or service that was formally free is priced or at best the final price is cost–shared between the state and the final consumer. Under this form of market-driven logic, commercial goals and values are introduced into the public sector enterprise for purposes of efficiency. Liberalization or deregulation is another form of privatisation in which restrictions on activities that were a monopoly of state owned enterprises are removed or eased to permit private enterprises' entry into previously protected markets to encourage competition. A form of privatization will have occurred even though no transfer of ownership of assets has been involved (Cook et al. 1988; Humphrey 1992). In a broader sense privatisation refers to the transfer of production assets and any government functions to the private sector including governmental functions such as revenue collection and law enforcement (Chowdhury 2006). In this thesis privatisation refers to transfer of economic enterprises and government functions to the private sector as in the case of Uganda Commercial Bank (state owned) that was transferred to Stanbic Bank (private enterprise).

The institutions that spearheaded privatization in the developing countries including Africa emphasized conditions that were not different from the ones of the Washington Consensus (as in Chapter 2.5). According to LaRRI (2002) the conditions that were used in the privatization of African enterprises were to the effect that:

i) States should reduce their role in regulating the economy so that market forces of demand and supply efficiently allocate resources.

ii) Countries should liberalize and open up their economies to foreign trade and investment and to stop protecting their own industries.

iii) Governments should reduce social spending so as to limit national budget deficits.

iv) Countries should adopt an open-door policy on profit repatriation by transnational companies so as to attract foreign investors.

v) Labour market should be deregulated and wage increments kept in freeze so as to allow the flexibility required for business expansion and to control inflation.

(LaRRI 2002:6)

It was not by coincidence that the emphasis was similar; the designers of privatisation and those other reforms were the same.

Privatisation is a complex process because it is founded in a relatively new ideology and its operations are not one model in the different economies, as such proper handling is ultimately important for mutual benefits and success. According to ANSA (2007) and LaRRI (2002), mutual benefits from privatisation can be achieved if a level ground is created to avoid any one of the parties being disadvantaged or gaining an unfair advantage over the other. There is need for negotiations to be conducted with impartiality, fairness, honesty and in a transparent manner lest the process attracts undue criticisms and social unrest. To avoid accusations from the public that government is giving away the country's valuable assets at windfall prices to rich crones and powerful companies, there is a tendency for government auditors to set the sale price too high (Humprey 1992). While the country ought to set a good price for the assets, the buyer too needs to pay a price that should not put the new business in jeopardy (Humprey 1992).

2.6.1 Shock therapy or gradualism?

Initially the privatisation process had two schools of thought namely;

a) *Shock therapy* which was intended to quickly bring down the inflation through liberalisation and privatisation to achieve structures similar to market economies in Europe and the US and it was anticipated that the population would be well-off with time. This school of thought considered rapid liberalisation as appropriate because it would avoid painful and costly period, when the old system would not be working while the new market economy was also not fully operational. It also assumed that the necessary supportive infrastructure would be demanded and established with time and it tended to disregard the importance of legal regulatory institutions. The Soviet Union and post communist states such as Bolivia, Chile were subjected to the shock therapy.

b) *Gradual change* school assertion was that the necessary institutions should be established before privatisation and liberalization is done or at best the privatisation process should be gradual to enable the growth of institutions that are needed in the economy to avoid a rush which could create asset stripping instead of wealth creation. Rapid privatisation effects were feared would undermine the dynamics of the economies and lead to poor economic performance. China, India and Vietnam were seen as fairly successful economies because they followed the gradualist approach (Vladimir 2000; Stiglitz *et al.* 2006).

Although Stiglitz *et al.* (2006) found out that the speed of privatization was negatively associated with growth, he confirmed from results of earlier studies that establishing legal institutions first was very important. To him the level of development and political ideology appeared to have a positive effect on economic development. From the debate it follows that since most of the privatisation was completed before the institutional framework was fully established, this had a considerable effect on the economic performance in most developing countries' economies. In many developing countries valuation of the enterprises could not be hurried because some had ownership legal problems, poor accounting system and machinery according to accounting books in some factories that had zero value as in the case of Uganda. This means that the less conducive conditions in the respective economies checked the speed of privatisation in spite of effort by government to disregard the legality of some of the issues and pushed for a faster process as opposed to the gradualist approach. The dismal growth performance reported in several developing countries is attributed to the speed of privatisation, the tendency to disregard the necessary institutions that would have supported privatisation and other specific country political considerations (Lyakurwa 2004). For instance, in Uganda some public enterprises had already been divested such as Shell Uganda Ltd in 1992, Lake Victoria Bottling Company Ltd in 1993 before the PERD 1993 Statute, legalising privatisation in the country, was enacted (Kisuule 1996). Uganda Commercial Bank was privatised before Uganda Securities Exchange (the Stock Market) was fully operational and other legal procedures such signing state agreements without fully involving the

Attorney General (which was a constitutional requirement), disregarding public opinion and resolutions of parliament regarding the bank' privatisation (Parliament 2002). This in part helps to show that the speed to privatise some of the enterprises in Uganda could be associated with the shock therapy approach since the privatisation surpassed the need for the initial establishment of the legal and supportive institutions.

Privatisation presents an external political and economic pressure on developing countries as a quick measure to improve performance. There is information to indicate that either by shock therapy or gradual process privatisation has been implemented; besides almost all developing countries have succumbed to the privatisation wave. At the time privatisation was implemented, many economies in developing countries especially Africa were heavily in a subsistence agricultural system, tuned to production of raw materials for export and indeed outward looking. The economies and the infrastructure had been designed to serve the interests of the former colonial system rather than comprehensive needs of an independent country (Humprey 1992). Even when such economies were subjected to the *shock therapy,* the response to become market economies could not and has not been achieved. Privatisation in Africa has been implemented with some form of market economy in the cities and some modified subsistence economy in the remaining parts of the countries. This state of affairs prevails in Uganda and it does not permit quick responses in financial changes such as exchange rates, stock exchange transactions which further retards economic growth. The slow response is further due to lack of competition and reliable marketable sources of income for the masses that mainly live in rural areas. Under privatisation the competition objective, always a part of capitalism, leads enterprises to adopt cost reducing and massive production measures which finally increases profits for the enterprise (Obrinsky 1983), which makes it part and parcel of capitalism.

Privatisation and liberalisation are some of the economic reforms under neo-liberalism that operate in the wider scope called globalisation. The terms are interconnected and while privatisation concern the ownership and arrangements between the public and private sector, and liberalization concerns the regulatory frameworks governing them these terms oftentimes overlap in the common objective of introducing the private sector in the public enterprises.

2.7 Privatisation in developed countries

While there are many examples of privatisation in both developed and developing countries that are comparable I have chosen one in telecommunication that has been successful in a sense that when the former monopolies were privatised many companies were created and due to competition telecommunication charges were reduced in Europe. Following the wave of privatisation, France government wanted to privatise its Posts and Telecommunications Company and in 1991 the company was split into two entities, the Post Office (La Poste) and France Telecom. Although the plan to privatise the France Telecom was born just after 1991 by the 1997 negotiations were not yet concluded thus giving the respective stakeholders time and opportunity to okay the privatisation mode while considering the national interests, the interests of the employees as well as plans to recruit some young people in the company so formed. Among the proposals, partial privatisation of 20 percent was recommended, furthermore 4 percent of the company stock was proposed to be offered to company employees at preferential rates and, a plan to a employ 600 young people was also set, trade unions were permitted to give their contributions but were not opposed to the partial privatisation, finally France Telecom and Deutsche Telekom each acquired a 7.5 percent holding in the company. The state settled at partial privatisation as opposed to outright privatisation that dominated most enterprises in developing countries (Bojan 1997). The effect on the employees was minimal mainly because only a fifth (20 percent) was privatised, part of it to the employees and besides they (employees) approved of the partial privatisation.

In 2006, yet another privatisation of an interstate high way road construction and maintenance was privatised in Indiana State (USA). The process attracted \$3.8 billion from foreign firms from Spain and Australia to which the state entrust them with the construction of 157 miles Indiana toll road for the next 75 years. The tender documents showed that firms would be exempted from local and state taxes. The governor then, Mitch Daniels, who was the leader in advancing the idea for the Toll Road privatisation argued:

> *"any business person will recognize our decision here as the freeing of trapped value from an underperforming asset, to be redeployed into a better use with higher returns. The state had higher priorities than tying up capital in the state toll road"* (Schulman 2007:1)

Although his ideas sounded economically justified and resonates with the prevailing privatisation ideology, the public was against the idea. Some of the sentiments expressed were that multinational corporations and deal-makers were driving politicians to make hasty decisions in order to make millions of dollars from the deal at the expense of the Citizens. Others said "We don't understand why we are giving this road to a foreign company; the state had a good reason for its creation, then why privatise it?" A truck driver said "I run the road less now because of the increased tolls in Chicago", yet others commented that they were convinced "either the proposal was borrowed from the future or that it was another away to give a part of America to foreigners". An independent Indiana law firm analysed the proposed Toll Road deal and it showed that the private firms' bid far surpassed what the state stood to earn if it undertook the construction and operations on its own. The main concern for the masses centred on increase in prices, loss of wealth to foreign firms, questioning the change of ownership and the key argument was that "*You can't sell your assets very cheaply to put food on the table and before long you're out of assets but hungry again!*" Finally a Public-Private Partnership was adopted in which the Toll Road is owned by the Indiana Finance Authority (IFA) and operated by the Indiana Toll Road Concession Company (ITRCC), a joint-venture between Spanish company (Cintra) and the Australian company (Macquarie). The Cintra-Macquarie joint-venture assumed operation of the Toll Road in June 2006, after the Indiana Suprime Court dismissed a legal challenge to block the deal following the failure of the opponents to present a bond in time (Schulman 2007). The stakeholders were given chance to contribute that resulted into Public-Private Partnership in which Indiana state is still partly responsible for the enterprise less threat to employees.

The examples above helps to show that in developed countries, sufficient time is allowed which permits adequate consultations and considerations for the stake holders in the privatisation process, unlike the cases in developing countries. Although the privatisation under Thatcher administration in the 1980s is an example of the shock therapy, the legislation of the country since then has addressed the failures. Most of the sentiments expressed by nationals in Indiana and France were not different from those expressed in Uganda and even in other developing countries. The intervention by the union workers and even a well laid plan to employ some workers after privatisation as in the telecoms case in France all serve to show that it takes into consideration the interests of the stakeholders unlike in developing countries where most stakeholders are ignored in the privatisation process and most sales were out-right privatisation and liquidation where all assets are transferred to the private owner. However there was no indication that the enterprises that were privatised were heavily in debt, a condition that characterise most enterprises in developing countries and adds an extra force in the privatisation process.

2.8 Debates on privatisation in developing countries

Many developing countries after independence borrowed funds from international financial institutions to start up industries that would locally produce goods as a substitute for the expensively bought foreign products using scarce foreign exchange reserves of those countries. The *Import Substitution Industrialization* (ISI) that had been started using the development loan facilities collapsed due to the debt crisis of the 1970s and 1980s causing a sharp drop in the production of essential goods and services. As a result many countries found it difficult to meet their obligations especially in providing funding and acquiring the necessary raw materials for the public enterprises. Although many public enterprises were productive and profitable others especially those that needed heavy funding, incurred huge loses making them a financial liability for the countries. It is said that public enterprises losses as a percentage of GDP reached 9 percent for Argentina and Poland in 1989, in Ghana the losses incurred by only 14 public enterprises accounted for 2 percent of GDP between 1985 – 1989 and in China 30 percent of the public enterprises were making losses (Kikeri *et al.* 1992). In 1970s and 1980s many developing countries took up some structural reforms recommended by the World Bank and IMF to remedy the poor performance of their public enterprises (Kikeri *et al.* 1992; Roberts *et al.* 2000).

Many people in the developing countries have lost their jobs, identity under neo-liberal policies especially when public enterprises are privatised. Many local industries have closed down because they have been out-competed by foreign companies that are permitted to operate in the national economies. In Uganda a number of banks have closed down such as Greenland bank, Uganda Co-operatives bank (public bank), International Commercial Bank, with the emergency of Stanbic Bank, Barclays and other foreign banks that have been empowered. As a result micro-finance companies have increased to provide some funding to the local people but provide limited services and give small loans for a short period. Employees are further retrenched as a measure to reduce the size of civil service in order to cut government expenditure as dictated to national governments by the World Bank and IMF because they are the main funding institutions of government development programmes. There is increasing evidence suggesting that globalization is creating inequality in the world in terms of distribution of incomes, assets and economic power.

Many scholars agree that the institutional, infrastructural and operating environments were not favourable for full-scale privatisation in Africa at the time of its implementation (Yarrow 1996; Kirkprick *et al.* 2003; Lyakurwa 2004). This assertion agrees with Vladimir (2000) and Stiglitz *et al.* (2006) that the shock therapy mode of privatisation for most developing countries is partly responsible for minimal economic performance. Since the introduction of privatisation in developing countries, many African governments are still implementing the policy in spite of the reports of adverse socio-economic hard conditions such as increasing poverty and political conflicts in those countries arising from the policy, as reflected in the following quotations;

> *"While most governments may themselves now express pro-privatisation positions, the policy has not been subject to open debate, discussion and scrutiny by affected parties… Several contracts in Africa especially utilities have been awarded without competition. There is a massive imbalance of bargaining power when it comes to privatisation contracts as most of the privatisation procedures have been sponsor driven*" (Hall 2000:ii)

This situation concurs with the irreversible political commitment condition that was set for privatisation in developing countries in which governments once subscribed to the reforms they are not supposed to back out due to the initial stringent conditions. Available information shows that 42 African countries in 1998 had World Bank loans and that once involved in World Bank programmes, countries rarely leave, and as such World Bank policy is government policy for many countries (Hall 2000). In Uganda privatisation that started with small commercial state-owned enterprises to date even utilities such electricity and water have been privatised and further restructured the civil service. It can be argued that the need for building capacity in government institutions in order to improve governance, entrepreneurial capacity and improved productivity is desired by every country but the issue is the means and style of achieving it. Privatisation is and ought to be seen as one option of achieving improvements and development provided the problems of the economies well diagnosed and the policy well implemented (Yarrow 1996).

In spite of three decades of structural adjustment programmes many countries have registered minimal improvement. The most successful economies by far have been China, India and Vietnam which have pursued gradualist policies, but most of the developing countries that were subjected to the shock therapy reforms have not performed well and it is believed that the speed at which the reforms were implemented caused more shock than therapy (Vladimir 2000; Stiglitz *et al.* 2006). There is increasing outcry from developing countries that privatisation of public enterprises has led to increased poverty and hard conditions. Yet even with the increasing evidence of the hardships and damage caused by such privatisation, the American and British aid donor agencies continue to insist that developing countries should undertake privatisation of the remaining public enterprises and utilities in order to qualify for essential loans, grants or debt relief (Hilary 2004). In the privatisation of Uganda Commercial Bank alone more than seven British and American consultancy firms were hired excluding the World Bank and IMF technical teams and according to a report by Parliament (2002) they were expensively hired, their incomes were not taxed and they were key determinants of the sale process right from proposal, designing of the documents, sourcing buyers and negotiating the final disposal of the bank. The Department for International Development (DFID) invited GBRW together with another firm DWS (British based firms) who contracted to investigate UCB's sale procedures and the fees were paid through DFID (GBRW 2002). The available information from other studies on privatisation has shown that workers and the poor have been the most adversely affected by privatisation as the following quotation shows:

> *"Privatized services do not deliver an effective service to people who need it most."* (Hall 2006:329)

Although some employees in the privatized companies report improved working conditions in terms of wages and introduction of better technology, government reports that companies have improved output and that many pay high taxes, those improvements come at a high cost amidst increased workload, a much smaller number of current employees than before and in many cases there is no job security for the employees and competitive resource exploitation with limited monitoring (Ddumba *et al.* 2001).

2.9 Theoretical discussion

This section discusses the Theory of Privatisation and how it has come to assume a central stage in the world economy. Its formulation is a result of a number of researchers' work around the world. Analysis of the impact of privatisation of state owned enterprises on the economy in general and employees in particular, will be discussed in view of the theories underlying privatisation, grounded in the Neo-liberalism ideology, financial operations of Uganda Commercial Bank since its inception. The background to the establishment of public enterprises in Uganda will be important in the analysis.

To understand the impact of policy, Dye (1987) argues that it is important to understand and define what is meant by impact of policy both in terms of symbolic and tangible effects. The impact of a policy include, impact on the targeted situation or group, impact on situations or groups other than the targeted ones (unintended or spill-over effects); impact on future as well as immediate generations; its direct costs in terms of resources committed to the program and its origins; indirect costs including loss/gain of opportunities to do other things. The symbolic impact of privatisation is to some extent observable, can be experienced and so can be understood or expressed as views and perceptions from individuals that have been affected by the implemented policy and their attitudes towards it (Saundra et al. 2003).

The impact of a policy in this study is relevant because it involves distribution of public resources and not merely the intentions of politicians and office holders. The undertaken study evaluates the actions of what government has done not what it plans to do and therefore the impact is real. It can be noted that those for whom the policy was not intended, are not free from it except the extent. Finally, policy statements by government officials may indicate that they are committed to certain policy priorities but what actually takes place is usually different. According to Pressman and Wildavsky (1973) political and administrative actors can hinder or promote program developments in a variety of ways and the real essence of a policy is whether it has significantly improved the situation of the citizens.

There has been a lot of theoretical debate regarding privatisation against systems or policies that have seen the world through giant achievements in development; improvements in human welfare, advocacy and observance of democracy, fair trade, equitable distribution of wealth in a bid to making the world a better place to live in. A lot of unresolved issues exist between the two positions, for or against privatisation, as the neoliberalism ideology assumes a position to replace, to merge with or possibly as an option along the path of development. The controversy or delay in the resolution however, seems to lie in identifying which claims are exclusive of the other school of thought as a better development strategy, that is, welfare states or private sector led development using market to allocate resources.

2.10 A 'Theory of Privatisation'

This is the theory that explains the ideology under which privatisation was proposed. A theory of privatisation as advanced by Boycko et al. (1996), state that:

> *"Public enterprises around the world have proved to be highly inefficient, primarily because they pursue strategies, such as excess employment, that satisfy the political objectives of politicians who control them. Privatisation of public enterprises can raise the cost to politicians of influencing them, since subsidies to private firms necessary to force them to remain inefficient are politically harder to sustain than foregone profits of the state firms. In this way, privatisation leads to efficient restructuring of firms. Moreover, privatisation is more effective when combined with a tight monetary policy, and when the new owners of firms are profit maximising investors, rather than their employees or even managers"* Boycko et al. (1996:1).

The theory was based on comparable research findings by other researchers like Kikeri et al. (1992) on public enterprises in Africa, Latin America, Asia and Western Europe; Donahue (1989) documented significant high costs of public relative to private provision of municipal services in USA; Lopez de Silanes (1993), the findings showed that private made more profits than public firms in Mexico; Boardman and Vining (1992) and Mueller (1989) made several studies of public and private enterprises around the world in which most of them showed that private firms are more efficient (Boycko et al. 1996; Kikeri et al. 1992).

The conclusions of these researchers seem to justify the premise that poor performance of public enterprises is a result of politicians' goals and aspirations which are often different from those that would ensure efficiency. As public figures, politicians are concerned about what would 'please' the public, to win support in elections and to hail government that it is effective. Higher employment is always sought because it is politically rewarding and as a way of pleasing supporters even though this contradicts profitability. In Uganda Commercial Bank a single strategic branch in 1990 had more than 1000 employees which was just a third of the total employees of the entire bank!

Managers need not be politicians but if it cannot be avoided then in the interest efficiency and sustainability, work ethics or code of conduct ought to be instituted in order to separated employees' roles and responsibilities from politics. Besides better performance in terms of what is produced is beneficial for all. It is rather unreasonable to leave the country's productivity and development entirely in the hands of politicians; technocrats in the respective fields can and need to design rules and guidelines for enterprises to follow in order to develop.

Right from the inception of Uganda Commercial Bank up to when it was privatised the politicians were much involved. At the time when Uganda Commercial Bank was established more than 90 percent of Ugandans lived in villages far from the centre of power. The best way possible for government was to influence and facilitate Uganda Commercial Bank to start bank branches in the rural areas even when it was clear many of the branches would not have an optimum number of clients favourable for them to be economically viable. Another typical example was the Rural Farmers Loan Scheme (RFLS) which was a government (politicians) policy through Uganda Commercial Bank where rural farmers got loans without securities, something that falls outside ethics of financial institutions! The performance of Uganda Commercial Bank was influenced by politicians and so was its disposal.

Kikeri et al., 1992 basing on studies on countries in South America, Africa and Asia …., made these observations:

> *"Many countries have taken up privatisation to improve the efficiency of enterprises, to free up resources for social services and to mobilise capital for expansion and modernisation. One of the major concerns is job losses as Public Enterprises are privatised. The new private owners shed off excess labour to improve efficiency and governments cut the workforce to get a better price from the private buyers. Due to unemployment fears, the loss of employment benefits and lack of social security measures to settle those that are laid off, is the main cause for the employees and Trade union to try and block or delay privatisation. Despite its importance, labour is one of the least addressed issues in privatisation"(Kikiri et al. 1992:4).*

The implications of privatisation of public enterprises as observed in the above quotation are true and the same views are shared by other researchers. In addition, lack of information about workers hinders governments' ability to effectively monitor policies with regard to what is happening in those economies.

The privatisation theory brings out the role of politicians, that they influence the initial stages but their objectives are different from those of the enterprises this usually leads to unwanted results such as indebtedness and collapse of enterprise. There is a marked difference between what is politically popular and what is efficient and central group of attack by the privatisation theory is politicians and yet the role they need to play is not well defined in the production process. Understandably politicians are government leaders, legislators and policy implementers and so may not be avoided.

Employees and how they are managed in an enterprise is central in the production process and the manager ought to ensure rules and ethics are observed for efficient operations in the production process. Observance of the code of conduct saves the manager from being overwhelmed by politics or politicians. Poor performance can then be judged and the concerned held to account for the actions taken on grounds of the ethical behaviour according to the job. Separation of roles and the associated individual or group accountability in the production process (division of labour) instils discipline among employees and yields efficiency of the enterprise. It is believed that privatisation tends to achieve these conditions for efficiency because it basically curtails the influence and interference by politicians and the enterprises concentrate on the demands of the market in order to maximise profits.

According to the theory, privatisation was advanced because it is able to distinctly separate roles and responsibilities of employees. Decisions are made in the direction of profitability and which entail restructuring the old system to ensure efficiency and to encourage competition. The system advocated for is automatically run by the profit motive where decisions are made on economic lines not welfare and this thinking is believed to improve productivity that leads the enterprise to enjoy economies of scale. Efficient operations of an enterprise lower cost of production hence more profits and can later be reflected in final price. However some private companies do not have any goal other than to maximizing profits which leads to over accumulation at the expense of the final consumers.

The theory is explicit that efficient performance lies primarily in good economic decision making however it over generalises the politician and his role. He was slotted in the theory then his position in the production process should have been defined. It is not in the intension of this study to discuss politics and politicians besides in some references the meaning and role is negative. The division of labour and country specific code of conduct, in which every employee has a specific small part to be accomplished as expected, was not given enough attention. If the problem is a manager or capital hindering right economic decisions then can be addressed at its specific location not starting from the periphery, the low rank employee

The theory is silent on unemployment and welfare for employees possibly because it is not its primary motive and the principle opposes. The profit motive is primary and the social objectives are secondary under privatisation. Labour is a stake holder in the productivity process and I feel the theory ought to address what accrues to it.

The theory places performance of the entire production process in the hands of individuals or at best small groups who by any standards can not have the same ambitions, efficiencies and assumed to have constant motive drive for profit maximization. There is a danger of depending on individuals who may have no mission for the masses in future but the immediate and that makes them undependable by nature of their self interest trying to exploit consumers. Uncertainties and fluctuations tend to make enterprises remain small (inefficient though) for fear of making big losses when changes are not in their favour and those that are big tend to strive to attain monopoly positions because it is possible to manipulate the consumers. Either way, prices in the private sector under the privatisation thinking remain high and fluctuating.

Competition that is advanced in the theory is desirable because it leads to rewards and it's good for the final consumers because it's the basis for innovations and improvements in quality of products on the market. When two enterprises compete for business, they can lower their prices and improve their products to increase their sales. However competition attracts extra resources to 'out-compete' rivals through experimenting, research and advertising which increases the final price. From the law of competition according to Gause (1934), the inefficient enterprises fall out or are consumed but that is not without conflict. The theory over assumes a level ground with basic input in the production process otherwise the self-seeking, technologically advanced manipulate resource rich or poor and the 'competition' becomes resource drain rather than where they achieve the most good. Meaningful competition is when those involved have fairly the same resource base. However, it is difficult to know if an enterprise is efficient or not without competitors to compare against it.

At the core of this theory is the strong faith in market as the basis for achieving the prime motive of profit maximisation. The drive is based on individuals' self seeking behaviour of security and individual gain which finally benefits society as a whole. According to Smith (cited in Yarrow 1988) in his metaphor of 'the Invisible Hand', firms in pursuit of profits are led by an invisible hand. Each individual maximizing revenue for himself, maximizes the total revenue of society as a whole. This self-interest tends to also promote the good of his community as a whole. By pursuing his own interest he frequently promotes what is for society more effectively than when he really intends to promote it. The core principle for the privatisation theory is self interest and persuit for profits that a lot of good for society can be achieved rather than welfare to prevail over self drive or business.

2.11 Privatisation, development and labour standards

The position of labour in the new environment of privatisation is mixed. From the background in Chapter 1.4, privatisation was introduced with a change in objectives; to lower wages and employment levels in order to increase profits for the enterprises; to reduce the government's role and empower the private sector and to shift focus on welfare to profit maximisation. This in part explains why privatisation of public enterprises has generated anxiety, suspicion and resistance in many developing counties. Employment is affected because the objectives are commercialised and the wages fall because there are more people in search of employment. The retrenchment of employees leads to unemployment, cost-cutting strategies reduces disposable income for the worker, removal of subsidies increases prices consequently the position of a worker under privatisation seems to have been put to a serious test. Further resistance arises from the view that the initiatives are foreign dominated and it revives sentiments of another move by foreigners to re-colonise Africa (Kikeri 1998). The negativity with which privatisation was received and the effects it has caused especially in the initial stages of its implementation, the governments tended to shy away from explaining the possible benefits and difficulties. The ideology and its definition on the ground was thin, normatively foreign to the existing systems and in most cases opposed to the existing order. With most of the large public enterprises sold to foreign investors who are less concerned with the political forces and social repercussions in the horst countries, workers are easily reduced compared with domestic owners or government. In the initial implementation of privatisation in some of the countries, there was no explicit legal policy on retrenchment and related benefits, social safety nets (Lyakurwa 2004).

The effects of privatisation on employees, masses and economy in general are many, while the benefits are limited. Some of the enterprises being transferred are natural monopolies such that when they are privatised the new private owners become the price setters and impose monopoly prices on the public instead of the market forces thus richly remunerating the owners. Prices steadily increase even when the cost of production may have gone down and the services or products have not significantly improved. In spite of the opposition, privatisation and other neo-liberal reforms have continued almost unchecked because they are well founded and funded as in the quotation below;

> *"...the neo-liberals and those who fund them have created a huge international network of foundations, institutes, research centres, publications, scholars, writers and public relations to develop packages to push across their ideas and doctrine relentlessly"* (Susan 1999:2).

The quotation serves to show that the financial power and the effort to idiolocally justify these reforms is what has made them persist even when many countries and scholars have pointed out many adverse effects caused.

Many countries in the world privatize their enterprises to reform their economies as stated in the quotation below:

> *"The objective of reforming any economy is to make it more efficient so that it can provide the greatest public good to the largest number of people (...). The openness of productive forces to competition is a bedrock for creating greater social good"* (Ariff and Iyer 1995:323 and 329).

Indeed, countries take on privatisation in a reform process to improve their economies which are normally on the verge of collapsing especially in the developing countries, and it is usually hoped that the privatisation will make the economy more productive so that goods and services can be delivered to many people as compared to the situation before. Actually, when economies are liberalized, private individuals or firms are allowed to take a more or less dominant role and then competition is encouraged and resources are re-allocated where they are most efficiently utilized to give optimum production at least production costs. It is believed that this leads to low prices for goods and services (Hoogvelt 2001). Privatisation relies on the principle of competition in the sense that where there is profit, firms will always compete and to win clients prices have to be adjusted accordingly. Proponents of privatisation hail it that it promotes competition among firms and in order to remain in business, innovations and improvements in products are encouraged which improves quality of products, higher economic growth and development. Due to the improvements in the production processes economic waste is reduced consequently *reducing production costs*. And the masses are able to enjoy goods and services at reduced prices and improved quality. Firms that are uneconomical in their production and are unable to cope with the competition close down or are swallowed up. However the primary objective of privatisation as an instrument of policy is always to promote the private sector as an engine for growth and development (Ddumba *et al.* 2001; Cook *et al.* 1988; Kikeri *et al.* 1992). This change in policy is a paradigm shift in objectives in which productivity to meet the needs for the masses is replaced by private sector in pursuit of profits, public assets are put into private hands to be upgraded, and employees are considered as a *pseudo-commodity* in relation to other commodities needed to produce new products. In general everything is *commodified* and so has a price tag to match market economy objectives. Workers can (be forced to) sell their labour-power as a commodity to survive although they themselves are not commodities (Castree 2004), it is the labour-power that is hired for the production process and that is what matters in the new system after privatisation (Arrif *et al.* 1995:324)

According to Oxfam International Report (2006) regarding reforms in developing countries stated:

> *"Building strong public services for all is the foundation upon which today's rich country societies are built and it has been proven to work on poverty eradication. Rich countries and the World Bank have continued to push for inappropriate private sector projects which have undermined governments' ability to deliver adequate public services to their people"* (Oxfam 2006:7).

This brings to question the agenda of pushing for such reforms even in key public enterprises that would best be controlled by the state like water, electricity and almost the only state owned commercial bank the country had.

This thesis is also an attempt to assess the impact of privatisation on development in relation to employees and the poor because development involves improved provisions for the majority of the population. Privatisation and the ideological justification for its prevalence have been critiqued in many countries and according to (Susan 1999), the ideology has been accused of remunerating capital to the detriment of labour and extracting wealth from the bottom of society to the top 20 percent. However, according Peet (1999:2), "when something is heavily criticized, yet persists, it probably has real content". Could it be that privatisation embodies both the worst and the best for development? The balance seems to lies in proper assessment of the socio-economic problems to be addressed by privatisation, appropriate implementation of the reform and fair share of the resources and benefits. According to Suzan (1999), 80 percent of the world population is marginalised and therefore without receiving its proportionate share of the world resources, attempts to achieve development will be characterised by conflict and thus a myth (George 1999; Peet 1999).

From the unfolding of events regarding privatisation of public enterprises especially in Africa the policy has been marred by political corruption, high administrative expenses dominated by expensively hired foreign consultancies, the proceeds from privatisation used to service loans and recurring expenditure leaving nothing for re-investment. The privatised services have not reached those who need them most because they are expensive and there are fewer employees in gainful employment resulting in less disposable incomes to sustain a meaningful life for the workers and masses. The implementation of privatisation has been undermined and is not well perceived as a reform that can bring desirable development.

When governments sell some key enterprises, they lose a major source of revenue because enterprises are comparable to producer goods with the ability to add value to the products they produce. The government was made to privatise the very enterprises and services initially deemed essential for development under state control and now the state buys or rents them expensively from the private sector to which the public enterprises were sold. Uganda Commercial Bank was one of the key enterprises and the different roles it used to serve are still prevalent in the economy. Since the government cannot implement its programmes without the expensive private based services this contradicts the objective of reducing government expenditure to foster development through privatisation.

It can be argued that privatisation of large state owned enterprises especially in developing countries will always distabilse labour and which affect many other people beyond the immediate employees. In Ghana, privatisation of a single state enterprise, the Ghana Cocoa Board in 1999 caused 100,000 workers to lose jobs but due to a large number of dependants of each worker, this resulted in poverty and hard conditions for about 1,000,000 people. The IMF and World Bank commended the privatisation process as a success despite the layoff of workers (LaRRI 2002)! In preparation for the privatisation of Uganda Commercial Bank resulted in many job losses for many employees, those on permanent terms, temporary (on contracts) and others whose jobs were directly linked with Uganda Commercial Bank. At the peak of its performance 1992, Uganda Commercial Bank employed about 3770 and in 2007 Stanbic Bank employed about 1300 employees and considering that employee-dependants ratio is high this meant hard conditions for many people.

Under privatisation working conditions change, new owners of the privatized enterprises underpay their employees, offer no job security and often follow no labour laws; and many do not recognize trade unions though it is in constitutions of many counties to recognize national trade unions at least prior to privatisation. Contract work and casual jobs with no job security have replaced permanent good quality jobs in the formal sector (SAPRIN 1998; LaRRI 2002). Some scholars and critics of the globalisation and neo-liberal agenda propose that the only way to neutralize and break the stranglehold of institutions like IMF, World Bank and WTO is indeed to create alternative institutions that are designed to promote the growth and development of the third world with less stringent assistance (ANSA 2007). The Bank of South America is being strengthened to be an alternative to IMF and it will probably be a success if it is not undermined like the socialist and communist systems have been (ANSA 2007).

Some authors have advanced the need to use Public-Private Partnerships (3Ps) because it is a less contentious term and both the public and private sectors play important roles in privatisation. Public-Private Partnership (3Ps) is a financing strategy in which the state and/or local governments maintain ownership and control of the assets but receive financial compensation to contract with a private operator who provides operating, maintenance, and/or construction expertise for large-scale infrastructure projects(Savas 2000). This form of privatisation has the major social component in which the stakeholders are part of the decision making and it is readily acceptable. Although it lacks distinct boundaries where government stops and private begins, it basically neutralises the ideological opposition and improves government performance at the same time increases and includes the private sector as a player in the public sector (Savas 2000). However it is not common among the privatisation in developing countries.

As a result of privatisation policy, different groups have been affected and structures transformed. Uganda Commercial Bank no longer exists and was transformed into Stanbic Bank. The former employees were laid-off, some were retained for a few months and few are still employeed by Stanbic Bank. The current employees in Stanbic Bank, according to the study reflected different labour standards :

- Working hours – time at work and other responsibilies
- How long is a working day?
- Workers in each branch
- Service charges
- Staff turnover
- Remununeration of workers
- Promotion and discipline
- Working conditions
- Accessing bank services
- Job security

These labour standards will be are discussed in Chapter 5.

Privatisation of public enterprises in general and Uganda in particular cannot be argued away in a sense that almost all state enterprises have been privatised already and continuing further to trim the civil service. The issue then is, which way forward for the adversely affected by the policy in this case, the former employees of Uganda Commercial Bank and current employees of Stanbic Bank? Proposals and recommendations for the way forward will be handled in the concluding chapter.

Chapter Three: Uganda's history of independence, the role of Uganda Commercial Bank and privatisation

3.1 Introduction

This chapter presents the political history of the country as a key factor as it influenced the formation, operations and final disposal of Uganda Commercial Bank. The bank occupied a central position in the economy of the country. The privatisation of this bank had a lot of impact on many groups in the country and the employees in particular are the focus of this study. Literature on Public Enterprises Reform and Divestiture (PERD) in Uganda is quite limited in terms of fully published books though some of it appears as institutional reports, journals, magazines, news papers, public lectures presented at conferences, workshops, official functions by reputable scholars and government officials and from the internet. Although some post-privatization studies have been done they have tended to be surveys made on sectors like agriculture, on women for Non-Government Organisations (NGOs) and little on financial institutions. However financial institutions in Uganda are not easy go zones and are quite selective in accepting people to access information about them.

This section traces privatisation of Uganda Commercial Bank mainly using literature from the Privatisation Unit (the secretariat for the implementation group), Parliamentary Selection Committee Reports and GBRW & Denton Wilde Sapte Reoprt (an investigation report on UCB), Uganda Commercial Bank performance reports and other research reports on the bank, Ministry of Finance and Economic Development (MoFPED) (1995).

3.2 History of Uganda

The history of Uganda presents a story of how the political activities, the obligation to serve the nationals, government and foreign policies have been influenced Uganda Commercial Bank right from inception till its privatisation.

A scholar on African countries made these remarks on Ugandan politics:

> *"Bullets rather than ballots have dominated politics in uganda since independence, where two governments have been removed by coups, one by a foreign invasion, and another by an armed rebellion. Force has not only dominated the formal political system, but also threatened the economic and social basis on which democratic processes and progressive development depends"* (brett, 1995:129).

The remarks reflected the volatility of politics in Uganda after independence and in a period of twenty five years the country had changed governments four times also an indication of internal conflicts and external interference.

Uganda achieved her independence from the British rule on 9 October 1962. The receiver government then was led by Prime Minister Milton Obote. Uganda was one of Africa's most promising economies because she was self-sufficient in food and cash crop production and of crops like bananas, maize, potatoes, millet, and cassava. Most of her land could be cultivated, with good hot and wet climate favourable for agriculture on which the country depended for food supply and cash crops for export to earn revenue. Uganda was largely an agricultural country with coffee, cotton, tea and tobacco as its main cash crops, and copper mining was at its peak but had a small industrial sector mainly processing agricultural products. The government inherited a large subsistence economy dominated by small scale farming at household level. Produce and Marketing Boards were established by government to improve and control quantity, quality and prices. The boards helped to market the produce and to secure better bargaining power for the producers. Coffee and cotton (lint) were the major marketing boards that processed and marketed cotton and coffee, the major crops and their performance was highly appreciated by the producers. The export of these crops was the main source of foreign exchange for the country which government used to fund projects in other sectors of the economy. These marketing boards employed many employees (Kayizi *et al.* 1992).

The first government after independence in 1962 faced key challenges such as consolidating its hold on to political power, Africanisation of the economy to reflect the attained independence and reversing the racial imbalances and exclusions that had characterised the colonial period (Brett 2005). Political power had to be backed by economic power and this meant a rapid transfer of assets to the indigenous population. By 1965 top positions in the civil service and parastatals had been Africanised. The civil service had increased from 264,000 to 320,000 employees between 1962 and 1969 and government became a major employer, something that was considered to be in line with the needs of newly independent country (Brett 2005). This however attracted profound conflict as may be considered the turning point for the political conflicts in Uganda but linked with economic interests for both groups within the country and foreigners. Obote came from a minority northern group in Uganda and asserting his grip on to power had a lot to do in the political decisions he made. As the Prime Minister and head of Uganda People's Congress (UPC) the ruling party then, Obote was faced with increasing opposition from his ruling party, Asian and other foreign business communities, and the Baganda in the central region whose king had been sidelined in the political participation in the governance of the country as had been laid in the constitution. The international donor community which included Britain, Germany and America were not happy with policies that reduced their participation in the economy. Obote was also threatened by divided loyalties due to traditional ethnic grouping leadership under kings and in 1966 he abolished traditional kingdoms in a bid to divert the power centres from ethnic grouping to a centrally controlled government as a means of fighting part of the opposition. Economic measures to control the economy such as currency controls were also introduced mainly to stop Asians and other foreign businessmen from repatriating their capital from the young and growing economy (Brett, 1995; Brownbridge et al., 1996; Mutibwa, 1992).

In an attempt to consolidate his power and the national independence of the country Obote further proposed new socialist guidelines on which the party and government would be run. The new policy was named "Move to the Left" the Common Man's Charter (CMC). It was further explained that:

> *"The 'move to the left' is the creation of a new political culture and a new way of life whereby the people of Uganda as a whole - their welfare and voice- in the national government and in other local authorities are*

paramount. It is therefore anti-feudalism and anti-capitalism" (Brett, 1995:244)

The 'move to left' had been extracted from a general socialist theory but only a part that could be blended with the Ugandan setup and experience to strengthen the position of the prime minister. The policy was portrayed by Obote as a good policy for the country and it was further claimed that the policy was intended to integrate and unite Ugandans under one leadership. In clause 38 of the Common Man's Charter (CMC), one which explained the operations of '*the move to the left',* it stated that:

> *"Nationalism may be necessary to ensure that the means of production and distribution would be in the hands of the people"* (Brett 1995).

This shows that the move was also aimed at a centrally planned economy where privately owned businesses would be directed by the state and some of them nationalised.

On Labour Day, 1 May 1970 the government announced a Nationalisation Policy called 'The Nakivubo Pronouncement'. The pronounced policy automatically entitled government to 60 percent shares in the major private companies and manufacturing industries including banks, insurance, and oil companies. This step was taken because the economy was predominantly controlled by a few British-Asians who owned commercial and industrial establishments in the country; a situation which government saw as unsuitable and therefore required change. The new arrangement also gave the state monopoly over all imports and exports, operations of foreign businesses, industries and banks. Information was passed those businesses that would not comply with the new policy arrangements stood the risk of not being licensed the next financial year. Oil companies, Barclays and other foreign banks re-negotiated the government's stake in their enterprises from 60 percent to 50 percent (Brett 1995) was of the view that Obote wanted a centrally planned economy to avail him the direct resources for boosting productivity (economic power) and would give him the ultimate grip on to power he wanted. The nationalisation policy displeased Asian business community, foreign donors, foreign investors, including those who were training the army at the time, namely the British and the Israelis and Brett (1995) believes that the latter facilitated Idi Amin's takeover the government on 25 January 1971. From 1971 to 1979, President Idi Amin ruled by decree, because most of the democratic institutions were dismantled. The country experienced political and economic mismanagement as a result of bad economic policies during the Amin's regime. Shortly after the takeover, the 60 percent government controlling interest in private enterprises was changed to 49 percent but this was later followed by nationalization of industries and other businesses belonging to foreigners (Egesa et al. 2004; Brownbridge et al. 1996). In 1972 a critical decision to expel the whole of the Asian community in 90 days was effected and their assets were retained by government. Some businesses were put under Uganda Development Corporation, government ministries, and others were distributed to the local Africans to manage. This action had disastrous consequences although other African countries were doing the same on grounds that Asian business community exploited consumers and excluded the local population from business opportunities. Almost all donor support and access to private international credit ceased. The new business owners had limited skills, little foreign exchange and no credit, so state services deteriorated rapidly (Egesa et al. 2004).

Following these events described above the administrative apparatus and formal economy collapsed which led to a series of events in the economy. There was foreign exchange and monetary crises due to closure and collapse of many of the industries and production coordinating activities in the country. The country experienced hyper-inflation and chronic shortages of essential inputs and consumer goods. The state continued to use resources by inflationary money-creation under an over-valued ex-change rate, resulting in economic distortions that reduced volume of goods and services and increased prices for local products. There was increased illegal trade as crops continued to be smuggled to neighbouring states in exchange for the highly priced essential goods in the country, and taxes were evaded.

The working conditions for many employees deteriorated as their salaries were running far behind the hyper-inflation the country was experiencing at the time. According to Brett (2005) the situation was such that:

> "*Officials pretended to work and the government pretended to pay them'. Those in privileged positions amassed fortunes by manipulating contracts and harvested kickbacks; the rest used their offices and telephones to conduct their private businesses. By 1979 the 'politics of disorder' dominated the society. The informal 'magendo' economy had become the*

'real' economy; the formal economy mainly existed in the virtual world of the official statistical abstracts" (Brett 2005:6*)*

In the quotation above, Brett clearly depicted how the working atmosphere was in Uganda at the time and my personal experience of the situation testifies to it. Although employees tried to work, their monthly salaries were just a small portion of their expenditure and many had to do private business in order to meet the short fall in their budgets. Smuggling of commodities across borders of neighbouring countries namely Kenya, Tanzania, Rwanda and Congo was the other way essential commodities entered the country at affordable prices. In mid-1970s the Uganda's crop exports dropped sharply mainly because they were exchanged for essential commodities with neighbouring countries illegally and failure by the government to buy crops from farmers. These and other consequences of militaristic intervention resulted into insecurity of persons and property and systems that existed then were disrupted. The expulsion of foreigners, majority of which were Indians and seizure of private businesses were not well thought out economic policies and they badly affected the social economic and democratic processes in the country. These disruptions by Military governments destroyed lives and property, skills and they undermined productivity and profitability (efficiency) of institutions and accountability (Brett 2005).

3.3 History of public enterprises

Public Enterprises (PEs) were established since the colonial era but mainly increased after independence because they had many important development objectives. They provided citizens with access to education, health, transport, housing, water, electricity and employment to the masses. In Uganda like many countries such as Tanzania, Zambia, Ghana, Nigeria, Kenya created public enterprises ever since the colonial era but their importance was mostly recognized after independence. The main reasons for the creation of public enterprises were:

- to promote and develop indigenous enterprises and entrepreneurship,
- to shoulder responsibility as a country by building infrastructure that was basic for the establishment of other enterprises and service provision to the country.
- To balance or replace the weak private sector that had limited funding

- used as a measure to maintain control of strategic sectors and monitor economic activities,
- to encourage internal growth and diversification within the economy,
- to provide goods and services at low prices,
- to provide supervisory and regulatory role to the private sector from exploiting the masses and the economy in general,
- political and ideological reasons as a means to consolidate power
- to transfer technology to strategic sectors,
- to spearhead the country's development using the economic power public enterprises provided the governments .

(Ddumba *et al.* 2001; LaRRI 2002)

Countries as welfare states especially after independence, took up many workers as the best way then and as a way to fulfil the promise by politicians to create jobs for the masses. This course of action caused budgetary constraints with time due to larger labour force than was efficient. In many countries, especially in Africa, this situation prevailed and it required governments to intervene to maintain or improve the status quo. New managers soon after independence were not experienced administrators as some were elevated at the workplace from mere workers to administrators. Colonial masters denied the nationals the appropriate education to become managers and supervisors, and some of the malfunctioning of the public enterprises stemmed from that background (Humprey 1992; Brett 1995).

3.3.1 Performance of public enterprises

Soon after independence, there was a vacuum created with the departure of the colonialists more especially the managerial and middle supervisory positions. The academicians assumed top positions because they were the only choice though very few had got any training in managerial skills. The production, management and provision of the goods and services from the state enterprises surely fell short of what was required for the masses. Links to the outside world to import the badly needed products and capital were sought to fill the gaps to avoid social and political unrest that would ensue. The badly needed foreign exchange did not have local cover due to the low levels of production. This meant that borrowing could not be avoided as an additional problem to under capacity utilization and insufficient production. Though not all public Enterprises were performing badly, the aggregate quantities demanded were not in consonance with the production levels. The widened scope of new economic operations required skilled knowledge and experience to ascertain and control what was taking place in the respective public enterprises which was lacking. It was difficult to monitor public enterprises effectively paving way for some of the managers to mismanage them due to lack skills or to misappropriate funds to their advantage against the interest of the state (Humprey 1992).

3.4 The Debt Crisis

In 1973, the oil-producing countries hiked their prices to get more funds to invest in Europe. The sharp rise in oil prices happened at a critical time when *developmentalism* and investment were the main concern of the time and many countries especially those recovering from colonial rule and appendages that would deter them from control of their economies. At the same time commodity prices especially agricultural commodities on which most economies depended, drastically dropped causing double tragedy for developing countries. The price of copper which was Zaire and Uganda's main export mineral slumped from \$ 1.40 in 1974 to \$ 0.6 in 1976 it was worse for coffee, tea and cocoa. Interest rates started to fall resulting in more lending by banks and developing countries accumulated huge debts from foreign banks. A lot of the borrowed money went to western-backed dictators, especially in Africa, resulting in little benefit for most people (odious debt). Most loans to the Third World were contracted when commodity prices were high but at the repayment of the loans the prices were low making it difficult to raise sufficient revenues from their exports. Developing countries were caught up in a debt-trap. Besides, repayment of the loans had to be done in hard currencies that do not usually change much and are hard to get. With the declining terms of trade, not in favour of developing countries, the debt crisis was unavoidable (Roberts *et al.* 2000; Parfitt 1986; Hoogvelt 2001).

Nationalisation was a wave virtually in every economy specially years after the Second World War and shortly thereafter in Western Europe. It is believed that nationalisation was a contributory factor for nationalism or created strong bonds between populations and their countries (Hoogvelt 2001; Roberts *et al.* 2000). According to Brendan (1993), expanding and improving the public sector was among the aspirations of all classes of people in countries emerging form colonial rule. Citizens wanted more access to education, health, water, public housing services and business, better facilities such as electricity, communication, transport, training and credit facilities. Most countries in Africa attained their independence in the 1960s, and thereafter nationalisation was used as a decolonization movement for the new states to regain control of their productive assets from foreign dominance to the domestic domain. Nationalisation of private businesses economically empowered governments with the ability to create jobs for the masses, set up and direct development projects in the economies, fund social services and cater for the welfare of the masses, monitor and control economic activities. To recover from the foreign domination and control, these countries sought strategies for their economies. Developing countries sought development loans from global banks and made loan agreements whereby development projects especially Import Substitution Industries (ISI) were sponsored using the loan funds in a bid to pursue a campaign to catch-up with the developed world. The loan based development was not well planned by the new states because they lacked the technocrats in the different sectors and the funds were either redundant or funded structures that were not coherent. Other funds were misappropriated or found their way into developed countries yet these funds attracted interest. In 1982 Zaire's debt amounted to \$ 4.8 billion but at the same time President Mobutu then owned assets and money in foreign Swiss bank accounts worth \$ 5.2 billion (Parfitt, 1986). By the end of 1970s the loan based development had become a liability rather than a vehicle of development. By mid-1980, the third world debt reached an alarming level of \$1 trillion and actually became debt crisis for developing countries (McMichael in Roberts (2000). The debt crisis marked the end of developmentalism thinking for the newly 'independent' states because the foreign banks and financial institutions that had given loans to developing countries had to recover their funds in one way or the other.

The International Monetary Fund (IMF) and the World Bank which were created to help prevent future conflicts by lending for reconstruction and development and by smoothing out the temporary balance of payments problems, assumed the role of global banker and designed rules and conditions for the repayment or servicing of the loans. It is this debt crisis and the need to appease institutions that would in future extend credit to pay the old debt to remain a bit up-to-date, that developing countries have taken on policies which are not favourable to them in any way as expressed below;

> *"Many indebted nations have been forced to cut food, housing, and medical aid to the poor, housing assistance and to take away trade protections for their home industries."* (McMichael in Roberts (2000:274)

In addition labour protection laws that had been achieved *expensively* through political struggle, compromise and sacrifice to provide a social foundation for a worker have steadly been eroded by privatisation and related neo-liberal reforms and so has been labour organisations. Beside the external forces in favour of privatisation, there were internal structures and institutions related to state and governance that reinforced the privatisation process (Roberts 2000).

Since the 1980s debt crisis, development funding for developing countries especially Africa, took a new outlook and had to incorporate components of liberalisation and privatisation of public enterprises and functions. The new conditional funding for developing countries stressed that development could only come through expansion of export production and offering attractive conditions for foreign investment. Privatisation was meant to shrink the states' role in government business which meant that government would be limited in offering the same services such as health, education, agriculture and other social services (Roberts *et al.* 2000; Humprey 1992). It can be argued that privatisation and other related economic reforms mainly spear headed by the World Bank and IMF, for developing countries especially Africa, were a direct consequence of the debt crisis where the issue was no longer development but restructuring and privatising state enterprises in order to repay the debt. The reforms further limit governments from borrowing bigger loans since the enterprises that would need upgrading are privately owned not a direct responsibility of the government.

3.5 The establishment of Uganda Commercial Bank

Financial institutions have always played an important role in the development process of countries. In Uganda finical institutions have demonstrated their importance and increased in number after independence. The colonial government used foreign banks for their financial transactions since there were no local banks. Many businesses and industrial establishments dominantly owned or run by foreigners got funding from foreign banks. Africans were least involved in business because they lacked capital and savings.

A plan to start a financial institution to cater for the needs of the indigenous population was contained in the Town and Country Planning Ordinance 1947, and it expressed the need to establish a bank that would cater for the needs of the indigenous population and development in general. The plan to establish the bank was passed in July 1950. Commercial banking in Uganda was mainly conducted by three major British banks; Barclays, Standard, and National and Grindlays, which were the leading bank operators in the country at the time. The British dominance affected the market conditions to a large extent, in reality the African entrepreneurs seldom got access to formal banking services since the banks at the time discriminated people on the basis of racial or that many lacked marketable securities. African farmers and entrepreneurs organized themselves in order to create their own banking system by creating cooperatives that where controlled by the members. The colonial government started Uganda Credit and Savings Bank in October 1950 in order to mobilize deposits from within and to extend credit to farmers and business operators in rural parts of Uganda. The development plan for Uganda of 1947 proposed that funds needed to be allocated to productive ventures to improve economic activities and social services, and consequently to create a bigger tax base for the country. These plans required involvement of the indigenous and so the bank was instrumental in giving loans to Africans to improve agriculture, co-operative societies, commerce and trade (UCB 1975; Kisuule 1996; MoFPED 2004).

After independence, the bank was strengthened with the aim of making it a fully fledged commercial bank. In February, 1965 the government announced its decision to start a commercial bank known as Uganda Commercial Bank (UCB). The announcement further explained that it would be a state bank meant to serve the population with branches throughout the country. On 9 October 1965 - the country's third independence anniversary day, Uganda Commercial Bank (UCB) as the successor of the Uganda Credit and Savings bank (UCSB), was opened. The bank inherited all the assets and liabilities of Uganda Credit and Savings bank and this included the employees. Uganda Commercial Bank started with nine branches in nine major towns in the country and these were Jinja, Mbale, Soroti, Gulu, Fort portal, Arua, Mbarara, Masaka, with the main branch in the capital city, Kampala. The bank started with total deposits amounting to Ushs 42million

(UCB 1975). The establishment of Uganda Commercial Bank was seen by government as the best option to involve the indigenous into the commercial sector that had been dominated by foreigners. The mission of the bank was therefore: "*to give the indigenous Africans access to banking services and to promote economic development in Uganda* (GBRW 2002:12). Uganda Commercial Bank was expanded to reach rural areas of the country as a way of encouraging commercial activities and business to reduce the subsistence way of livelihood. The establishment of Uganda Commercial Bank was a government's strategy to help the country develop fast. There were a lot of goods and services that could not reach the rest of the population yet some goods were abundant in other areas of the same country which could then be distributed (Kayizi *et al.* 1992).

As a sole sound financial institution for government and the indigenous, Uganda Commercial Bank soon was performing more roles than just a commercial bank should do. According to (Kayizi *et al.* 1992; UCB 1975; Brownbridge1996) the bank served the following roles:

- Safe custody for customers deposits – normal commercial function
- Lending institution
- Forex bureau
- Involvement in rural development programmes (government initiated)
- Generate income to maintain itself and run government plans
- Facilitate payment of civil servants and receiving school fees
- Banker for government departments and institutions
- Provide employment and train personnel for the industry
- Provide services at affordable cost to the public
- Trade promotion through import and export letters of credit processing and mortgage related financing

There was a Nationalisation Policy in which government acquired 49 to 60 percent shares in the private companies in 1969 and further nationalisation of some private businesses and industrial establishments during Obote and Amin governments. When Amin took over power the regime compulsorily purchased 49 per cent equity stakes in foreign banks operating in the country in the early 1970s and as a result foreign banks' operations and other private enterprises were drastically reduced. But Uganda Commercial Bank and Uganda Co-operatives Bank were expanded thus increasing responsibilities of the indigenous banks into commercial activities in the country. Analysts noted that increased responsibility did not enhance profitability due to high operational costs of running many small branches of the bank. The huge subsistence sector could not facilitate fast growth despite the geographical expanse Uganda Commercial Bank and to a less extent Co-operative bank controlled (Brownbridge 996).

The nationwide branch network of Uganda Commercial Bank reduced the power of the foreign banks in the remaining parts of the country and consequently they closed their operations and sold them to Uganda Commercial Bank and Uganda Co-operatives Bank, the two public banks that had expanded bank services in rural areas. In 1979 the country underwent a liberation war and Uganda Commercial Bank lost a lot of capital because some of its branches were levelled to the ground and documents were destroyed. In 1988/89 Uganda Commercial Bank carried out a rapid branch expansion in which over 65 branches were opened without recapitalisation although analysts viewed the action as a financial administrative error. These two main incidences made the bank to incur huge losses otherwise the bank operated reasonably well the rest of the other period it was operational, given the policy environment and the wide scope of the mission it was expected to fulfil (Parliamentary 2002).

3.5 Privatisation policies and Uganda Commercial Bank

Following continued criticism from the World Bank and International Monetary Fund (IMF) regarding poor performance of public enterprises especially in Sub-Saharan Africa (SSA), many governments have had to implement Structural Adjustment Reforms to try and improve their economies and to gain access to financial credit facilities and so did Uganda (Tangri *et al.* 2001). In May 1987, Uganda government took a stand to embrace a radical Economic Recovery Programme (ERP) to improve the performance of the economy and ensure sustainable growth. This programme introduced privatisation into the economy and this involved rationalization of state ownership, liberalization, rehabilitation, divestiture, consolidation and liquidation. The privatisation programme is part of the overall Economic Recovery Programme (ERP) and its adoption was intended to invigorate the private sector so that it could make the private sector play a leading role in the development of the economy (Privatisation Unit 2005).

In preparation for privatisation M/S Deutsche Morgan Grenfell, a foreign based merchant bank was contracted by government to study, evaluate and recommend how best Uganda Commercial Bank (UCB) could be privatised. According to the study rerport, Uganda Commercial Bank was found to be insolvent mainly because it was under funded, 75 percent of its loan portfolio was non-performing, and running costs were very high. The financial position of the bank, according to the consultancy, required immediate attention and bold structural changes to make it profitable again (GBRW 2002).

3.6.1 Divestiture and privatisation policy

Formulation of policies and guidelines was important in setting up ground for the implementation of the reforms. The privatisation policy stated that:

> *"Privatisation is part and parcel of the economic reform policies adopted by majority of developing countries focusing on macro-economic stability, relieving the state from producing goods and services that can be provided more efficiently by the private sector, and creating a market oriented and competitive environment…"* (Parliamentary 2001:2).

Uganda Commercial Bank and other public enterprises were supposed to be privatised in accordance with the 1987 initiated Economic Reform Policy Program (ERP). In 1992 a financial sector reform was launched with focus on four financial institutions that is, Bank of Uganda (the Central Bank), Uganda Commercial Bank (UCB), Co-operative Bank (CB) and Uganda Development Bank (UDB). By then Uganda Commercial Bank had 189 branches across the country and handled approximately 45 percent of the country's total banking deposits (Privatisation Unit 2001). At this rating, Uganda Commercial Bank was considered too dominant, a position that distorted market share competition and efficiency in the financial sector especially interest rates. Other financial institutions had argued that if the market share of Uganda Commercial Bank were reduced to about 20 percent of the banking industry then competition would be encouraged and interest rates reduced to a level reflective of the real market forces (Brownbridge 1996; Parliament 2002).

3.6.2 Legal framework

In 1993, privatisation and reform supporting legislature, the Public Enterprises Reform and Divestiture Statute 1993, Statute No. 9, (thereafter referred to as the PERD 1993 Statute) was then passed by parliament and enacted to give legal backing to the policy reform objectives. This was a pre-reform set of activities and an enabling law formulation that legalized the Economic Reform process. The law served to safe guard outcomes of the operations and future legal consequences. However some of the enterprises such as Lake Victoria bottling company– a soft drinks company and Nile Breweries had already been privatised before the law was passed!

The PERD 1993 Statute provided guidelines for the reform and divestiture. It categorized the enterprises that were to be reformed or divested under the programme, laid down the implementers and the modes of privatisation that would be used in the process. There were subsequent amendments to the statute along the way. The PERD 1993 Statute classified the public enterprises as follows:

Class I: Enterprises in this class shall be or continue to be fully owned by the state

Class II: Economically important and viable enterprises government would retain majority shareholding (included UCB).

Class III: The state to retain minority share holding in enterprises of this category

Class IV: Economically very important but state to fully divest its interest by disposal of all shares to the private sector (included UCBL after 1997 amendment).

Class V: Enterprises in this class to be liquidated

The Statute also out lined the modes of privatisation to be used and they were as followings:

a) Sale of shares through negotiated or competitive bids (UCBL)
b) Public offer of all or part of the shares of a public enterprise
c) Sale by public auction or public tender of all or part of the assets and business of a public enterprise
d) Management or employee buyouts

e) Lease, management or concession contracts

f) Negotiation repossession by previous owners

g) Conversion of long term debt into equity

(Privatisation 2001; Parliament 2002)

As part of the financial sector reform and in preparation for privatisation, Uganda Commercial Bank became a limited liability company and changed its name to Uganda Commercial Bank Limited (UCBL) in October 1997. This meant that the Government of Uganda was 100 percent the shareholder of Uganda Commercial Bank Limited (Ddumba *et al.* 2001; Privatisation Unit 2001; 2005).

3.7 The privatisation of Uganda Commercial Bank Limited

In April 1998 partial privatisation of Uganda Commercial Bank Ltd (UCBL) was made in which the Government of Uganda sold 49 percent of the bank's equity to Westmont Land (Asia) Bhd (Westmont), a Malaysian company. The contract was to the effect that Westmont controls the management of (UCBL) for three years. Westmont was also granted an option to buy an additional 2 percent, making it majority shareholder with 51 percent, if it fulfilled the management conditions in the contract. According to the GBRW report (2002) and Parliament (2002) Westmont mismanaged the bank, which led to the Central Bank to intervene by placing a resident supervisor in November 1998 and later seized the bank in April 1999 before expiry of the three year management contract. It was further reported that Westmont lent Ushs 35 billion to only one institution called Greenland Bank without proper securities and beyond limit levels UCBL was supposed to make and without consulting Bank of Uganda as the representative arm of state that owned 51 percent of the shares in UCBL. In April 1999 Bank of Uganda seized Uganda Commercial Bank Limited (UCBL) from Westmont in accordance with the Financial Institutions Statute, and managed it up to when it was re-privatised in 2001.

The first attempt to privatise Uganda Commercial Bank Ltd (UCBL) flopped and Westmont management lasted less than one year, though slated for three years. Westmont caused considerable losses to the bank as it was found to be insolvent to the tune of UShs 16.3 billion yet Bank of Uganda had recapitalised the bank with UShs 118 billion prior to privatisation. This financial position of the bank showed that Westmont did not honour the agreement and expectations of the central bank and the state (Parliamentary Report 2002). After legal proceedings against Westmont, an International Court of Arbitration in November 2000, ruled in favour of government of Uganda to recover the 49 percent shares that had been sold to Westmont thus regaining 100 percent control of UCBL and the case cost the state UShs 11 billion. It was after this revived status that government sought other strategic investors.

The government of Uganda contracted Klynveld Peat Marwick Goerdeler (KPMG) a British financial consultancy to re-evaluate UCBL in preparation for the second privatisation. The report gave an estimate range between Ushs 45 and 60 billion, which was a wide range. The consultancy reported that 3 methods were used to arrive at the two extreme values which were further used to calculate the average estimate value of Ushs 51.25 billion ($ 28.47) as what UCBL was worth in 2000. This implies that 80 percent of UCBL equity, and what the government wished to sell was equivalent to Ushs 41 billion ($ 22.77) (GBRW 2002; Parliament 2002).

3.7.1 Selection of bidders for Uganda Commercial Bank

The government approached 12 potential reputable banks which were engaged in retail banking in Sub-Saharan Africa (SSA), regarding the intention to privatise UCBL. These banks were:

1. ABSA Bank,
2. Banco Santander,
3. Barclays Bank,
4. BNP Bank
5. Citi Bank,
6. Standard Chartered,
7. Fortis Bank,
8. HSBC Equator Bank,
9. Nedbank,
10. Société Générale Bank,
11. Stanbic Bank,
12. DFCU Bank (a local Ugandan company).

At the end of the *market test*, six banks of the first eleven banks showed interest and these were:

- Barclays Bank,
- Citi Bank,
- HSBC Equator Bank
- Nedbank
- Stanbic Bank,
- Standard Chartered,

These banks received more diagnostic information regarding the bank. At this stage DFCU was invited to take part in the process. Among those banks that received additional information four more banks declined to proceed further in what was referred to as 'for strategic reasons'. High contending bidders Barclays and Standard Chartered declined to submit their bidding papers in what was later revealed by their top officials that they were discouraged by the size of UCBL branch network, the state of the bank's information Technology System and high percentage of its customer base not fit for the target market profile they wished to conduct business with. Finally Stanbic and DFCU were the two banks that remained in the negotiations.

In order to make UCBL as attractive as possible the following concessions were made by the Central Bank on behalf of the state:

- Bidders were given the options of bidding up to 90 percent or 100 percent with a commitment to sell 30 percent of the shares to the public at a later date.
- The Head office and Nkrumah road branch were excluded as they were unattractive to the bidders
- The government of Uganda offered to meet the cost of retrenchment /severance packages for up to 500 employees
- Other real estate owned by the bank but not used in its banking operations were excluded
- Loans to UCBL staff whose employment was going to be terminated were excluded
- Bank of Uganda further proposed to remove other technical costs relating to bank assets and liabilities
- Non-performing loans had been transferred to a Non-Performing Assets Recovery Trust (NPART) and an equivalent nominal value of the loans given to UCBL

After heated debate which focused on the role of UCBL within the Ugandan economy, Parliament on 23 August 2001 eventually passed a resolution that the sale of UCBL should stay with some delay until the end of September 2001 for Parliament to be furnished with more basic information about the bank. The bids were finally opened on 1 October 2001 in agreement with Parliament, Bank of Uganda and the President. Both bidders wanted to buy the bank on an "As Is" basis, i.e. for the purchase of UCBL as a company rather than of selected assets and liabilities. Their offers were:

- Stanbic Bank offer ranged from \$18 to \$25 million for 90 percent of UCBL shares (equivalent to \$20 to \$27.8 million for 100% shares)
- DFCU Bank offered UShs 75 billion (\$42.9 million) for 100 percent UCBL shares
  {At an exchange rate of \$1 = UShs 1750}

3.7.2 Final price and timing

After intensive negotiations the final prices and when it would be paid by the respective bidders were given as follows:

a) Stanbic Bank offered \$19.6 million for 80 percent (equivalent to \$24.5 million for 100 percent) shareholding in UCBL payable in two instalments. An immediate payment of 80 percent was proposed with the remaining 20 percent to be held conditionally for one year.
b) DFCU Bank offered \$24 million for 100 percent shareholding and proposed to pay in five equal annual instalments with no immediate payment. In addition the payments would be subject to levels of profit made each year.

Finally Stanbic Bank was chosen as the strategic investor, ready to maintain the rural branch network for the bank and ready to pay \$19.6 million for the 80 percent equity. After resolving the purchase issues, a sale agreement was signed on 20 November 2001 of which the signatories were the Government of the Republic of Uganda, represented by the Minister of Finance Planning and Economic Development; Bank of Uganda; Standard Bank Investment Corporation Limited and Uganda Commercial Bank Limited. Technical issues relating to acceptance letters, delivery of shares and final hand over were concluded on 21 February 2002 (GBRW 2002).

3.8 The cost of privatising Uganda Commercial Bank

Naturally, the official price as reflected in agreements or press release is taken to be the cost of the enterprise, in the case of Uganda Commercial Bank it was \$ 19.6 million. The real cost of privatising the bank is much higher and perhaps difficult to quantify. This is because heated debates in Parliament, giving a 'tip' to influence the outcome of the sale, giving a loan without securities, employees laidoff without adequate compensation, commissions of inquiry investigating the procedure used, all constitute the cost of privatising Uganda Commercial Bank.

Seemingly, a simple statement made by Wesige, an informant and a client in Stanbic Bank and former Uganda Commercial Bank said; *"Uganda got a raw deal in the privatisation of UCB …"* implying that the country did not gain from the privatisation of Uganda Commercial Bank due to the real cost involved and it has, in my opinion proved to hold a lot of meaning for many reasons as indicated below:

- UCB was re-capitalised with Ushs 118 billion to make it attractive to buyers prior to privatisation
- UCB was privatised to Westmont for Ushs 19.8 billion ($ 11 million) for the 49 percent shares
- Westmont caused loss of Ushs 16.3 billion
- Bank of Uganda seized the bank from Westmont and it cost the state Ushs 11 billion to settle the legal proceedings for the bank to revert to the state
- Foreign consultancies (more than 7 excluding World Bank and IMF technical teams) were expensively hired and paid no taxes to government of which the least payment was quoted as $ 50,000
- A number of consessions were given to attract investors for instance
  - government offered to pay retreanchment package for 500 employees,
  - compensation for the loans owed to UCB,
  - tax holiday and others
- Finally UCBL was sold at $ 19.6 million
- In addition, more than 2500 employees were laid off in the whole process of privatisation

(GRBW 2002, Parliament 2002)

The message carried in the above information shows that the cost was much bigger than $19.6 and where the bigger portion of the cost was born by the state and the employees.

3.9 Corruption allegations in Uganda Commercial Bank privatisation

The privatisation of Uganda Commercial Bank raised a lot of criticism and allegations that it was marred with corruption. Sentiments about the issue from the informants were advancing a common premise that *secrecy engenders suspicion*. The secretive manner in which Uganda Commercial Bank sale was being handled led the public to suspect there was corruption. Virtually every informant voiced the non-transparency in the process of Uganda Commercial Bank sale, using such words as a 'secret hand', 'back door dealings' and 'kick backs' trying to explain the unclear circumstances Uganda Commercial Bank was sold off. Besides, the first privatisation attempt of Uganda Commercial Bank failed because of 'under-the-table deals' with 'briefcase companies' without banking experience and reputation (Parliament 2002). In 1998 a minister in charge of privatisation reigned following charges of corruption and which led to the sacking of several more officials (Harsch 2002:16). In addition, an independent inquiry conducted by GBRW and DWS, a London based consultancy company was made arising from allegations that the privatisation process of Uganda Commercial Bank was not conducted in a fair and transparent manner. The report could not explicitly point out that there was corruption due to lack of real evidence. I have no extra premise for stating differently from the report and neither do I impute that the allegations are baseless besides a tip or bribe is secretly agreed upon by two consenting parties outside the norm. It is beyond the scope of this thesis to prove the allegations or dismiss them as being false but by the nature of the term and meaning of corruption it may suffice to apportion a percentage of truth (benefit of doubt) in the claim considering the frequency the term surfaced during the interviews and the entire research process. It takes at least two consenting individuals or groups well knowing that what they have done is outside the norm and it is wrong but they still effect it. The difficulty in proving that there was corruption is getting the real evidence since corruption is done in secrecy and within the fields of operation, supposed to be known by only those engaged in it if it were not for the circumstantial debris that remains within the systems. In many cases corruption deals with money, a very easy commodity to keep, carry or transfer because of its similarity in nature; yours and mine are similar except the amount. As a result of corruption allegations most of the informants felt that Uganda Commercial Bank was unfairly evaluated, unfair agreements that left many out of work, the retrenched unjustly compensated, the resultant terms and conditions of work have left current employees on their own in the privatised institutions with limited job protection.

Chapter Four: Research methodology

4.1 Introduction

This section describes the philosophy underlying the study, the methods and the instruments that were utilised to generate data from the field and the analytical process of the data at my disposal. It is also the purpose of this section to give the justification for this research design and various sources of information that were selected during the study as well as to examining the extent to which both reliability and validity aspects of the study were taken into consideration.

Research methodology is a process of how data is collected for any given research and it includes research techniques/methods that are used to collect data (Bryman 2004). This study used qualitative research methodology or approach which typically uses observations, document review, interviews or verbal interactions and focuses on meanings and interpretations of the participants' views and perspectives (Kvale 1996).

I chose qualitative means of investigation because it is through interviewing and observation that I would be able to get the kind of information needed to answer questions posed by this research. I wanted to know the impacts or effects of privatization of Uganda Commercial Bank now Stanbic bank on employees. Qualitative research is a field of inquiry that cuts across disciplines and subject matters. It involves an in-depth understanding of human behaviour and the reasons that govern human behaviour. Qualitative research relies on reasons behind various aspects of behaviour. In other words, qualitative research investigates the *why* and *how* of decision making as compared to *what*, *where*, and *when* of quantitative research Sharan (2002). In line with the qualitative research design I chose smaller but focused samples rather than large random samples, which were categorized into patterns and groups as the primary basis for organizing and analysing the results.

4.2 Research methods

A research method is a strategy of inquiry which moves from the underlying philosophical assumptions to research design and data collection. The choice of research method influences the way in which the researcher collects data. Specific research methods also imply different skills, assumptions and research practices (Kvale 1996). The main methods used to gather information were observation /participant observation, oral interviews, documents review and informative conversations in order to understand and explain the social phenomena. Each of these methods was instrumental in its own right but in conjunction with the others in studying the research problem. The methods are described separately hereafter.

4.3 Research design

Research design refers to a framework under which other variables that influence a structural object or the topic fit and can be analysed. It begins with the research questions and the intellectual puzzle and then spells out how the researcher intends to the research questions (Mason 1996). In line with the goals of the research, a design is helpful in order to develop a coherent and rigorous project because it puts research question in reference (Patton 1980). The structural object in my study was *the impact of privatisation on employees* using former Uganda Commercial Bank now Stanbic Bank, my case study and the findings were obtained from the views and perspectives of informants and other sources of data.

There are two major research designs or paradigms, the qualitative and the quantitative. One way of differentiating qualitative research from quantitative research is that qualitative research is largely exploratory, while quantitative research hopes to be conclusive and measurable. Qualitative data may not be put into a context that can be easily graphed or displayed as a mathematical statistic. It can be argued that each of the paradigms reflects a particular discourse. Kaplan and Maxwell (1994) argue that the goal of understanding a phenomenon from the point of view of the participants and its particular social and institutional context is largely lost when textual data are quantified and viewed in terms of averages and totals.

In spite of the qualitative-quantitative debate both researchers and practitioners are increasingly becoming concerned about the problems relating to translating laboratory experiment procedures that purely use quantitative methodology to real-life world practice settings. Investigations of social set-ups using qualitative methods are known to have solved problems where quantitative means of inquiry has failed. And according to Sharan (2002:3), *"qualitative means of inquiry has been found most appropriate in social work, nursing, counselling, administration, management and even medicine*". The real value of qualitative research is derived from the fact that meaning is a social construct by individuals as they interact with their environment, and reality is not fixed, single, agreed upon or measurable phenomenon as is assumed to be in quantitative research (Sharan 2002:3). This implies that qualitative or quantitative paradigm each yields optimum benefit and results depending on the appropriate setting for it.

Even when qualitative research inquiry is the major paradigm, numerical data may be necessary to improve the validity of some argument and to bring in a sense of accuracy and precision (Duffy 1987). Precise comparison for instance, the number of employees at different times in Uganda Commercial Bank and Stanbic Bank were numerically given rather than presenting them as 'few or more employee' because the descriptions were not precise enough.

4.4 Case study

Case study is an important strategy I used in the study because of the need to understand unique situations and particular problems in greater depth. Uganda Commercial Bank now Stanbic Bank was chosen as the case of study because it was 100 percent owned by government, was well distributed across the country, employed many people and was a popular bank. Cases are selected for study because they are of particular interest and purpose where a great deal can be learnt from them (Paton 1990), for example about the procedures used to privatise and the benefits for stakeholders including employees. For my study, I chose to use a case study of Uganda Commercial Bank 'the people's own bank' because of the previous national pride and interest many Ugandans had of the bank, its contribution to the economy as a leading bank. Uganda Commercial Bank now Stanbic Bank was therefore a special financial institution in size, importance and ownership.

The use of case study in qualitative inquiry is supported by some researchers especially where information is required regarding individual differences or unique variations from one institution to another. Case study as a strategy was preferred because there were many questions, of *why* and *how* whose answers required informants who had had a real-life experience of the particular phenomenon in question. Rather than using large samples of the privatised enterprises to examine a limited number of variables, case study strategy was preferred as an in-depth examination of a single instance, a case. This approach helps the investigator or reader to maintain a coherent, holistic and meaningful description of real-life events and experiences (Yin 2003). An investigator or reader gains a sharpened understanding and can give a better explanation of why the instance happened as it did, and what might become important to look at more extensively in future when such an event is carried out or happens.

Because of their in-depth approach, case studies can be used to make inferences in other studies that lend themselves to generalization, testing propositions or theories (Yin 2003; Stake 1995). Many researchers use particularised studies (case studies) to qualify their arguments and reasoning which makes case study a useful case in itself and for further use. Case study gives the investigator a stronger assertive position regarding policy that is implemented and the impact caused because the occurrence is particularised or narrowed to a case. However case study is limited to the general application in the event of the case being alone and isolated (Yin 2003; Flyvbjerg 2006). Conway and Briner (2005), hold the view that collection of data from multiple sources and using multiple methods which case study uses, helps to provide a rich description of the phenomenon under study, and that the limitations of the various methods used are offset by the strengths of another method. In the case of Uganda Commercial Bank, the interviews conducted, documents reviewed, observations made, and my participation as a research instrument will help in assessing the impact of privatisation on employees.

4.5 Selecting the case

The study involved former employees of Uganda Commercial Bank, employees and clients of Stanbic Bank and some members of the public. Financial Enterprises in Uganda were privatised following a report and recommendation by the World Bank, IMF that private sector enterprises should be encouraged in 1980s and financial institutions were among the first to be reformed and later privatised. Uganda Commercial Bank was selected for study because it was solely owned by the state and government fully divested itself from further ownership. In many other financial institutions, the state owned 51 per cent or less, and this did not suit the main reason for my investigation. This situation provided a perfect public-private contrast in evaluation and judgement or of the different decisions taken either in favour of public (government) or private and not both.

Informants for this study were drawn from different backgrounds for the same institution in its transition, growth and development. These informants were females and males; young and old, managers and tellers and from both urban and rural settings. The selection was purposively done to include long serving employees or former employees and those that have recently joined the bank after privatisation. The informants included 7 females, 13 males; 8 were currently employed in Stanbic Bank, 8 were former employees of Uganda Commercial Bank, 5 were clients of Stanbic Bank, 5 were retrenchees, 1 official from the National Trade Union, one self employed and wife to a former employee of Uganda Commercial Bank.

4.5.1 Purposive selection

This is a research method commonly used in qualitative inquiry which focuses on informants' responses and holds the view that certain groups are more relevant to a researcher's research question. It was an information-oriented selection of informants so as to generate as much data as possible considering the time frame, plan and budget at my disposal (Patton, 1980). This technique is supported by Mason (1996) because he considers informants selection in this manner to form a theoretical meaningful relation to the research question and analysis of the data. He further states that:

> *"Purposive sampling means selecting groups or categories to study on the basis of their relevancy to your research question(s), your theoretical position and theoretical framework ... and most importantly the explanation or account which you are developing"* (Mason, 1996:94)

This technique uses small numbers or groups of informants for practical reasons of time and costs, for generating and analysing qualitative data (Mason 1996). The informants for this study were drawn basing on a number of criteria such as

- experience at work,
- employment status,
- time available for the interview,

- age category
- position held at the time of the interview or
- those got through the snow ball technique.

Key informants were sought from the current employees in Stanbic Bank but who had been employed in Uganda Commercial Bank because they possess information and experience from both institutions that is fundamental in the study as it was seen to provide holistic information. The data generated cut across the situation before and after privatisation. Different age groups were interviewed in order to get various viewpoints from the informants regarding the same issues at hand. The hierarchy in an organisational structure charges different positions with responsibilities and this influences their judgement. By interviewing a manager and a teller, together with the views of the retrenched and the client then different points of view are captured for use in a study like this one. All interviews were time bound, ranging from 45 minutes to 2 hours and so within the allotted time for each interview depending on the understanding with the informant I endeavoured to utilise every opportunity to generate as much data as possible. I used the interview guide as my checklist to remind me of the questions that had not been asked or exhausted during the interview(s).

4.6 The process of data generation

In qualitative social research the term generation of data is preferred to collection of data because social phenomena do not have ready hard data for a researcher to collect and neither may the data be readily there before a research participates by asking and listening. It is therefore through the interplay of the social problem, the informant and the researcher that data can be generated (Mason 1996; Patton 1990). I used oral face-to-face interviews as my main source of data collection in order to generate data from former and current employees. These interviews were conducted in order to bring out the comparative experiences especially from the long serving employees that were retained or retrenched when Uganda Commercial Bank was privatised.

For about two months, I observed some of the daily operations in Stanbic Bank as employees and clients came in and went out of the bank. I sought communication links with people who would give me information or would connect me to others or guide me into the different institutions as sources of information. I used the *snowball technique* where the informants were interviewed and some were able to connect me to others most especially the former employees of Uganda Commercial Bank and Stanbic Bank who did not have easily known contacts. Acquaintances and new people were approached in person for information related to my research. I introduced myself to those informants and requested them if they could give me information regarding privatisation of Uganda Commercial Bank. Some gave me appointments to meet them at their convenient time and place which in most cases would be during lunch time between 1:00 pm to 2:00 pm or after 5:00 pm, that is, after work. Other informants were interviewed on Saturday or Sunday.

Some of the potential informants were unable partly because they finished work quite late, and others said they were under oath of secrecy not to give information regarding their work and the institution they work for. Some of showed fear that we had just met and so they were not sure that the information would be used for the purpose I said I wanted it for. The responses however did not hinder my progress in searching for more informants who were able and had time for the interviews. To some extent this showed that some employees in Stanbic Bank are over-worked, and they are not free, a view which was also held by other informants I interviewed.

4.6.1 Interviewing

An interview is an exchange of views, a conversation with a purpose using the verbal accounts to understand respondents' views and perspectives on their lives and experiences as expressed in their own words (Kvaale 1996; Burgess 1984). An interview can also be referred to as an exclusive interaction between the researcher and interview subjects in which both participants create and construct narrative versions of the social world under study (Silverman 1997). Researchers use interviews because the ability to talk in expressing oneself lays a distinct difference between the physical world and humans. Therefore interviews provide a way of generating empirical data about a social question by asking people to talk about their lives. Interview method is a favoured 'digging' tool commonly used by social scientists to learn more about social life and physical world in order to generate the required data. Raw data in qualitative inquiry consist of pure descriptions and quotations, and the descriptions by respondents help give meaning which researchers record as data. The required data therefore is a construct that lies within researcher's questions and role, respondents and the social world (Silverman 1997; Patton 1990).

Taking into consideration my research question and bearing in mind that Uganda Commercial Bank ceased to exist when it was privatised, and having to access documents about the bank from secondary sources, naturally I found interviewing the most appropriate method. Patton (1990) considers asking and listening as a key that opens up the world to the researcher and each respondent's information is a new part of the world in regard to the subject being researched on. I wanted to find out those things I could not directly observe such as the reactions by employees, attitude change, behaviour, and welfare change for employees resulting from privatisation as the bank changed from state to private ownership.

Appointments would always be made sometime before the actual day of the interview, either physically at the respective place of work or through telephone communication. After confirming with the informant then we would meet at the agreed place for the interview. I always started the interviews with a greeting then introduced myself and explained the purpose of my study. Informants were assured that the information would be treated as highly confidential, concealing identity of the person who gave the information and that it would be used only for study purposes. In very few cases I interviewed informants without prior appointment. I had to make appointments with the informants in advance for them to be psychologically prepared and to reserve some time for me.

Most of the interviews for this research were conducted outside the workplace to avoid undue interruption during interview, for safety considerations but most importantly a relaxed atmosphere where an informant was free to talk and be listened to. I also wanted a place where I would be able to listen and record the interview because such opportune moments I could not afford to squander. Informants were individually interviewed and they expressed their views and opinions in their own words. Non-verbal communication that accompanied verbal exchange could be observed as it enhanced the context of what would be expressed in verbal communication. Responses and the manner in which they are expressed carry extra meaning in addition to what has been said (Kvale 1996). It remained my duty to register and interpret the meaning of what was said as well as how it was said. This gave opportunity for explicit descriptions and what was said *between the lines* to enhance each other to generate the required data.

Since I was interested in the impact of privatisation on employees, the non-verbal communication in form of gestures, facial expressions or even varied tones occasionally helped to add depth and understanding regarding the in-depth feeling how the informants were affected in different situations. However not all non-verbal signs drew my attention due to their inconsistence, misplacement or at times they were not understood

The responses from informants were written down in a note book as most informants preferred not to be tape recorded. Four informants accepted the voice recorder to be used as we carried on with the interview. Well aware of the limitations of note making during interviewing, it was inevitable at times to ask an informant to repeat for me what he/she had said or I would read the phrase to the informant for clarification regarding what he/she had said. I endeavoured to note down any possible detail that was useful in data transcription and analysis. Short hand and short phrases were used to save time so that I could intently listen to informants to understand their opinions and perspectives. Shortly thereafter, the interviews information would be partially cleaned by rewriting the abbreviations and shorthand into longhand to try and bring as close to the interview situation as possible.

The language used for most of the interviews was English since the banks tend to employ those who have completed higher education and the education system in Uganda uses English as the medium of instruction. When at times informants responded in a local language in order to give detailed accounts of specific examples in their life experiences it was easy for me to understand the meanings and significance of the informants' views due to the same linguistic background.

4.6.2 Interview guide

An interview guide was made in preparation for fieldwork, to respond to the major questions posed by this research. This was a list of possible questions to be asked and to different groups in the field. An interview guide was important because it helped me to remain focused as I remained aware of key questions not yet asked or not exhausted. The interview guide was my checklist of questions and memory prompt points to guide and remind me to remain on course. The guide was necessary because certain explanations and stories by informants have a tendency of deviating from the main subject of discussion. To revert to the vantage point where flow of information was lost, an interview guide as a checklist played an important role. Many questions were reformulated during the interviews and irrelevant questions were dropped while additional follow-up questions were adopted to deepen some responses, thus probing. The interview guide was made in consideration of the research question, the methodology to be used and was flexible enough to accommodate other relevant questions and changes especially in the field. These questions were constructed around themes through which the information generated would be looked.

4.6.3 Participant observation

One of the interesting experiences during fieldwork was participating in some activities which I was at the same time observing for my research. According to Patton (1990:199), "*to understand a world you must become part of that world while at the same time remaining separate, a part of and apart from*". This makes the investigator experience the feel of being part of the setup so as to elicit expected responses. However the extent to which an observer can be a participant varies from being completely immersed in the setting as a full participant or complete separation from the setting and become a spectator. It is a continuum between the two extremes (Patton 1990). I became a participant observer in the same setup I was researching on, although not in so strict a sense as an ethnographer who would be completely immersed in the setting. I participated as a client waiting for service from Stanbic Bank employees in a number of situations and on different days. The outstanding feature during my participant observation was the long queues to the counters in Stanbic Bank. Some of the interviews were carried out in the queues as clients headed for the respective counters but those being observed were not informed that the activity and their behaviour were being observed for research purposes. It was designed that way because it was more of a natural setting where the informants felt freer to express their views and I was at the same time experiencing what other clients were going through as a result of long queues. Again the interviews did not draw other people's attention or having to stop other activities taking place within and around the queue.

For more than 4 weeks I observed day-to-date activities in the Stanbic Bank and other banks in the neighbourhood. Other banks I visited included Barclays, Baroda, DFCU, Centenary and Postbank. The number of people queuing in these banks waiting for service was outstandingly big and virtually in every branch of Stanbic Bank I visited. Centenary Bank also had many clients in queues but not as long as Stanbic Bank. The rest of the other banks had short queues. The reasons for nature of the queues was a function of many factors but mainly the overall number of clients the bank has, the efficiency in operations and the timing such as end of month as employees go to the bank to draw money for their important transactions or beginning of a school term when many parents pay school fees through the bank. The issue of long queues was handled with the informants in chapter five.

4.6.4 Document analysis

This is a method commonly considered useful in social research in which qualitative researchers see as meaningful and appropriate in the context of their research strategy (Mason 1996). The justification for this method arises from the fact that some documents exist before the research begins while others are generated during the process and the final research report makes yet another document. This implies that documents are reviewed *as a basis for* making other documents. Secondly, from an ontological position, texts are prepared because they are meaningful and for organizations or groups that consume them while epistemological considerations infer that texts as fairly permanent records stand out as evidence for the internal validity and relevance to organisations or groups for which they are intended. The importance of document analysis in social research cannot be over emphasised because its role may not be substituted in a given time frame. Document analysis is time saving, cost effective, can be used to crosscheck contradictory information or modify findings of a write out and can complement the primary data already collected. In the event of inaccessible environment such as restricted areas, difficult informants or memory failure on the part of some informants, the researcher is still able to get information about his research problem (Kvale 1996).

Documents provide a way of gaining access to a set of occurrences or processes that a researcher cannot observe either because they have already occurred or because they are more detailed to occur all at ago for the researcher to take note (Mason 1996) and may not have any other chance to re-occur. A document is a fairly permanent record of what happened and its relevancy to the subject of investigation provides evidence of that past occurrence. For instance, many institutions are a result of policies that were implemented in the past and such record can best be got through documents or fairly by interviewing one who knows it. The privatisation process of Uganda Commercial Bank involved many stages, policies and actions; the best way to understand how it was done, one needs to read and analyse comprehensive documents that were written then. It is from the different documents about Uganda Commercial Bank and the employees that a link between Uganda Commercial Bank and Stanbic Bank could be easily established. This method could not be substituted with another but worked in conjunction with the others. The need for this method was unavoidable since the institution under study was privatised six year before my fieldwork and as such, earlier documents were relevant.

Documents are texts that pass through some qualifying procedures and so have a textual form (Mason 1996) and it is up to the researcher to find out what intellectual or theoretical puzzle such documents helps to solve. Besides, the documents are not prepared to answer a researcher's puzzle. I would bear in mind that the documents I used were important but only the relevant parts to my research question.

The language for many of these documents especially investigation reports, financial economic reports and academic presentations were technical in their fields of speciality and the varying core audiences. For my research I tried to overcome the cross-disciplinary presentations by reading through the texts over and over again, by referring to other texts about the same subject such as Newspapers or by consulting but above all by looking for the relevant information to my research question. Since most of the audiences for which these presentations were made were not necessarily professional, the information was understandable for my interpretation.

Documents are some work of research from different sources; and it was common to find different or even contradictory information which required the use of other references to establish the legitimacy of the information. Information from documents on some issues was useful because it helped me to justify utterances from some informants thus validating the data. Some reports of parliament and commission of inquiry to investigate allegations of corruption in the privatisation of Uganda Commercial Bank helped relate what some informants indicated that there was corruption in the privatisation process of the bank. Publications from the Privatisation Unit (PU) helped to justify government's position in embracing privatisation including Uganda Commercial Bank. Conference papers presented at different times by academicians, government officials and international organisations were important in showing light regarding privatisation in Uganda and Uganda Commercial Bank in particular. News papers, magazines especially in the early years of privatisation tended express the public's views and provided some education about the privatisation wave. Text books about privatisation especially those authors who have done a lot of research on the economic trends in Africa since the introduction of privatisation in the 1980s such as Kikeri, Kirkpatrick, Neils, Myrdal, African Labour research Initiatives and others have tried to define and explain privatisation and the role of the World Bank and IMF. I was drawn into this study due to the fact that I have experience the operations of both Uganda Commercial Bank and Stanbic Bank including some of the employees.

4.7 Data analysis

This is a process of trying to make meaning out of the generated data. Since the purpose of qualitative inquiry is to produce findings, the generated data is only evidence but it is the processed (analysed) information that can produce the findings. The data was analysed in accordance with qualitative data analysis right from the time of my fieldwork up to and during thesis report writing. For the interviews, which constituted a major part of the study, there was some interpretation done during the interviewing process mainly by condensing and interpreting the meaning of what the informants were saying and sometimes seeking for clarification and confirmation from them during the interview. This further refined the information given. I cleaned the data in the process of organising it to identify meaningful patterns through which the information I gathered could be seen and analysed. I read through the field work especially the interviews and identified categories and themes under which responses could be looked at as answers to my research question. The views and perspectives were presented and discussed in light of the literature review and theoretical framework under which privatisation has become a world spread policy. The views and ideas reflected in the interviews and other world theories form controversies that make privatisation to remain a contested ideology.

4.8 Validity and reliability

The basic aim of any research design is to reflect as accurately as possible the relationships that exist among the variables being studied. At the same time validity involves issues of truth, knowledge and ethical considerations. The validity of the knowledge produced depends on the adequacy of the design, methods used, the correctness of the responses given and the purpose of the study. Therefore validity involves the whole process (Kvale 1996). It is a goal rather than a product; it is never something that can be proven or taken for granted (Maxwell 2005:105). The analysed data obtained from the study may be used as the premise for making acceptable speculative claims concerning the parent population; or generalised to other settings or populations that are different from the one immediately studied. These practical and theoretical supporting structures are the basic concerns of the utmost importance of the concepts of validity and reliability in social science research. The validity of my study was enhanced by using in-depth interviews and closely using the interview guide during the process, use of policy documents about privatisation and Uganda commercial Bank and Stanbic Bank in particular and informants' perspectives as support for my arguments. Observation and personal experience and triangulation to vary and widen the angle of view of the research problem were important tools during the research. Patton (1990) argues that a researcher in qualitative inquiry is a research instrument and through out the research process his influence helps to generate data; therefore the qualitative research report must include information about him or her.

In qualitative research, validity is not commonly talked about basically because the qualitative data sought for instance using in-depth interview during the process of data collection, trying to derive meaning from informants' lived experiences make the outcomes valid and can be relied on (Patton 1990). In order to attain the qualities of reliability and validity require varied methods and techniques thus triangulation.

Triangulation is defined as the use of multiple methods, theories, data and/or investigators in the study of a common phenomenon (Duffy 1987, Patton 1980). The need for triangulation arises from the claim that the 'reality' of a situation can not be apprehended from a single point of view. In this study, employees' views were got through interviews, policy documents reflected policy makers views, academicians' views could be understood from presentation papers in conferences and workshops. Multiple sources of data were necessary in order to get arguments for and against privatisation in the world and Uganda Commercial Bank in particular because interview method alone was not exhaustive enough. According to Graham (1992) triangulation improves on the validity of the data.

4.9 Ethical considerations

Banks in Uganda are some of the institutions that are secretive to the extent that one is not supposed to make or receive a telephone call from within the banking hall. After receiving permission from the Central Bank my movements were monitored by the security department and the departments I would go to within the bank. Informants were assured that the information exchanged during the interview would be treated as highly confidential, identity of the person who gave the information would be concealed and that it would be used only for my study purposes. Before conducting the interviews I always identified myself and showed the informants the introductory letters that indicated the purpose of the study. Pseudonyms were used in this study to conceal the identity of the informants as some of them wanted. Confidentiality of informants in research is a right which researchers need to observe especially when they ask, in order to protect their privacy and avoiding any legal proceedings later on (Mason 1996; Kvaale 1996).

The interviews I conducted for this research were done with willing informants who were not promised any physical rewards but rather the inbuilt interview reward of talking to someone and be listened to and feeling that one's experiences, position in a process have value and can be appreciated. I always thanked the informants for the information exchanged and requested them for any more information regarding the subject that was not discussed or exhausted during the interview.

Pseudo names were used to represent the actual people who were involved in the interviews. Anonymity by assigning pseudo names to informants was uniformly done on ethical grounds and as part of my promise during fieldwork. None of the pseudo names used had any closeness with the actual names of the respondents.

Chapter Five: Presentation and discussion of the findings and results

5.1 Introduction

In this chapter I present results of my findings: The Impact of Privatisation on Employees through a case study of Uganda Commercial Bank now Stanbic Bank. Using a qualitative research design, data was generated through observation, informative conversations, in-depth interviews, documents review, and other books regarding privatisation. The impact of privatisation is both short and long term and is traced from the historical background of the country especially after independence in 1962 and in 1990s when the Ugandan government declared that Uganda Commercial Bank (UCB) was to be privatised and reasons given were that it was incurring losses, was mismanaged and consequently had become a financial burden to the national treasury. The former employees of Uganda Commercial Bank and now current employees of Stanbic Bank (formerly UCB) and those who were retrenched were the main target for this research. The clients and the public too gave useful information in the comparison and appreciation of the services offered in the different operational periods for Uganda Commercial Bank and now Stanbic Bank.

Informants were purposefully selected according to the data I needed for this research. The informants included Managers, Supervisors, Tellers current employees of Stanbic Bank, clients, retrenchees of former Uganda Commercial Bank and Stanbic Bank and some members of the public. The views and perspectives of the informants for this study whose are herein presented and discussed. Pseudonyms have been used in this study to conceal the identity of the informants.

In light of the qualitative methodology I chose to use for this study, the findings will be presented in a narrative form basing on different themes.

5.2 Informants' perspectives on privatisation in Uganda and the privatisation of Uganda Commercial Bank

In order to understand the impact of privatisation on employees it is important to understand how the employees perceive privatisation in Uganda and Uganda Commercial Bank. A number of changes have taken place in Uganda since independence, like in any other developing country in regard to size of the public sector development and employment. Among the changes is privatisation of state owned enterprises which has resulted in a reduced role of government in the provision of goods and services in the country. Fewer people are employed in the different privatised enterprises than in the former State Owned Enterprises and Stanbic Bank the former Uganda Commercial Bank is not different. African Labour Researchers' presentations and findings considering country case studies similarly expressed their concern that:

> *"Privatisation has resulted in change of employment conditions where permanent and good quality jobs in the formal sector have been replaced by contract work and casual jobs without job security and benefits"* (LaRRI 2002:11).

Privatisation has also drastically reduced government's role in the economy thus distancing it from provision of needed goods and services. The private institutions in principle are responsible and not the government, although the population still appeals to government for the goods and services that do not measure to the expectations or are not provided to the people.

The informants accepted that many changes had occurred with the new institution of which some were good and some were not. Asked what changes had occurred since Stanbic Bank took over, Nafuna, one of the supervisors in Stanbic Bank had this to say:

> "*… for instance transferring of money to and from branches is not conducted well. During Uganda Commercial Bank time an officer would hand over double checked money to another officer and it would be signed for. Responsibility was born by an employee of the bank. Stanbic Bank contracted out this sensitive service to a different company altogether which just handles packages and signs records. Often times there are shortages on either end. It's difficult to establish*

which of the 3 parties that is, sender, transporter or recipient, is responsible for the shortage".

The general view among informants was that the government was just selling national property rather than setting up new structures or programmes to improve the general population's welfare. Wesige, one of the informants and client, when asked whether it was a wise idea to privatise Uganda Commercial Bank this what he had to say:

> *"What is there to show resulting from the sale of Uganda Commercial Bank and other public enterprises that were sold? There is* nothing … no *investment no special programme for the people instead some government officials benefited!"*

The public and indeed the informants expressed their concern that privatisation introduced a new and more serious round of corruption in which foreigners and government officials colluded to cause loss to government and benefited themselves. The suspicion was almost confirmed when the first attempt to privatise Uganda Commercial Bank to Westmont in 1998 failed and allegations of corruption involving the brother of the president were reported (Tangri *et al.* 2002)!

At different levels of the privatisation process many people felt it was not transparent to allow positive criticisms and room for improvement in the terms and conditions to be implemented. Although it remains contentious as to what extent and which people should have been involved for the process to be deemed transparent.

5.2.1 Privatisation and transparency

Right from the beginning of privatisation process in Uganda, there was no meaningful communication of intent to adopt reforms of such magnitude between planners of the reform policies (whether *evidence-based* or *interest-driven*) and the different stakeholders in Uganda. Most "victims" of policy changes knew about the reforms at the time of reform implementation Kiiza *et al.* (2005). It appears privatisation and other related reforms were contracted from the top government echelons and forced down (top-down approach) fuelled by the strong role of donor conditionalities. As a result there was limited level of consultation and contestations by Parliament were oftentimes overruled as void of economic vision (Kiiza *et al.* 2005). Many people were confused because there was no sensitisation of the public and so the latter was not prepared for it. Besides, the aim of privatisation was not understood. There was misinformation mainly from the government's opposition which made it worse. In 1995 at the highest institution of learning in Uganda, Makerere University, students then staged a demonstration against privatisation when they heard that there was a plan to introduce it at the University. Students had been informed that they would start paying tuition fees and accommodation which had been provided by government earlier on. Then it became worse in the city when the first victims were retrenched in preparation for privatisation. However the public finally learnt that privatisation had come to stay and slowly started to accept it though to some with 'wounds'.

Of the interviewed informants a negligible number was in favour of privatisation in theory but not the practice especially the way it came be perceived and implemented in Uganda. Very few approved of the principle but they expressed their unhappiness with the way privatisation was handled in the case of Uganda Commercial Bank and many others enterprises like Uganda Electricity Board (UEB), Nyanza Textiles limited (Nytil), and Uganda Cement Corporation (UCC). Actually Nytil and Uganda Cement Corporation were sold at $1 each under the law jargon which could not be easily understood by common people. Besigye, an informant, who owned a consultancy and had worked in both Uganda Commercial Bank and Stanbic Bank, that is, (before and after privatisation), had this to say;

> *"The principle was good but the mode of doing it was not well handled. Political appointees and others less qualified for their positions messed up privatisation. Stanbic Bank found in place qualified, trained, experienced staff, clients, huge assets spread all over the country and government affirmative policy of Uganda Commercial Bank as a government banker. The question is, why did government ask for $ 19.5 million and not $ 40 or more? Some government officials who used their political power to acquire loans without collateral securities put Uganda Commercial Bank in a financial insecure position."*

Agaba, one of the current employees who had worked in both institutions, also remarked this way;

> *"I have no complaint with privatisation! .... because it saved us a lot of government officials' hands into the money bag for unjustified reasons! Gone are*

the days when expenditures are unaccounted for. Stanbic Bank still provides employment though not the same number as before and employees are retained if they can perform so as to make profits for the bank."

From the two quotations above they serve to show that government officials had undue influence in the operations of Uganda Commercial Bank such as the lending rules of the bank. Official and political positions permitted some people to have privileged access to funds at the expense of the rest of the clients. The issues raised in the two quotations above showed support for privatisation because it limited the powers and influence of politicians. In this case privatisation was used to correct one of the major causes of losses in enterprises

5.2.2 Privatization and client services

Some respondents were more positive about privatisation especially that of Uganda Commercial Bank. They stated that Stanbic Bank offered more products than used to be, thus giving Stanbic Bank crediting for the initiatives. However, others maintained that it was a matter of time Uganda Commercial Bank would probably be at the same service provision level if it had been given the chance and the assistance it needed. The introduction of Automated Teller Machines (ATMs) was commonly cited as the most beneficial service that seems to have demystified very long lines in the bank, curbed highway robbery tendencies and encouraged people to appreciate the current technology where a client could bank in Kampala city and withdraw from Kisoro in the south-west, Koboko in the north-west or Busia in the east, some of the furthest service points on the Ugandan boarder.

Loan facilities are readily available than it was in Uganda Commercial Bank time and Agaba, one of the managers attributed it to general public realisation of and attempts to posses important documents that banks today can honour as securities. This is what she had to say:

> *"It is easier to get a loan than during UCB time because many people these days know the value of land titles, or other documents that can be treated as securities by banks. It takes shorter time to process the loan when the requirements are readily availed to the bank. The competitive culture in the banking industry to date requires that you win as many clients as possible or else another bank gives the loan at favourable conditions than yours."*

Suubi, another upcountry client remarked that banks these days look for borrowers but at the same time, loans offered today are very expensive. One needs to plan properly before securing the loan so as to pay interest for only the time when the loan funds are effectively in use.

On many posters and advertisements it is said that *"Stanbic Bank is committed to render dedicated service to its clients"* but some respondents added 'to the rich and special classes' This additional phrase arose because many clients I interviewed felt they were neglected and attention given to the rich and special classes that can afford to pay highly for the service and not the small account holders. The majority being poor, this hurts them so much that it triggers national and other sentiments, that if Uganda Commercial Bank had remained then they would get the due attention.

Some respondents remarked that the nation wide distribution of Stanbic Bank branches (see appendix v) shows the importance the bank attaches to its clients in the country, and that their presence gives chance to big and small firms to do business. However clients complained of high bank charges eroding their incomes especially small accounts holders and that they can hardly realise any interest on their accounts. This discouraged saving with Stanbic Bank. To explain the situation above, Suubi, further explained:

> *"… for instance if you deposited UShs 15,000/= after 6 months the account would have a balance of less than UShs 3,000. The account would be declared dormant and reviving it would be more expensive than opening a new one. The bank charges per month are so high that it reduces the money so much which makes it appears as if the bank no longer gives interest."*

There were various responses to assert that the quality of service has improved because a client can get money any time and can withdraw from any branch. However clients complained of some difficulties in trying to access services in Stanbic Bank such as, many documents and forms to fill, all written in English yet many clients are not conversant with or do not know English and very long queues in order to get services at the counter.

Some informants especially the young employees have referred to Stanbic Bank as a pace-setter where other banks follow and that this was demonstrated by the bank being aggressive in the search for clients, offering a wide range of products most of them new or with new packaging. As a result it has encouraged healthy competition in the banking industry in Uganda. Besigye, seemed to agree with them on the same point:

> *"Stanbic has revolutionised banking in Uganda because one can bank in Kampala and withdraw in Kabale another town in the far south of the country. Stanbic Bank now is among the top companies in paying taxes. A number of services and benefits which were not factored in during the privatisation process are being experienced now. And Stanbic Bank has the financial muscle, experience, reputation and has a better international image than Uganda Commercial Bank would have been possibly."*

The remarks tended to commend the bank for the products they offer in Uganda however what remained to be appreciated was whether the employees are able to benefit from the products and the services they render to the public. Among the informants, there were those who were more business oriented and supported the private owners of the Bank claiming that after privatisation, the institution belongs to a private owner, who has to ensure the business makes profits but as a result it seems all parties cannot be happy according to Agaba in her observation below;

> *"We have private ownership now and so there is an owner who sets targets to be met. There is serious work for every employee to meet the set targets. ... and employees are retained if they can 'deliver' so that the company can make profits but at times the workload is heavy and not easy for them."*

In the above quotation Agaba was expressing some differences between Uganda Commercial Bank and Stanbic Bank in terms of policy implementation and the seriousness that is expected of the employees in the new institution but above all the heavy workload since there are fewer employees now. It also helps to show that the private institution as compared to the state owned exerts a lot of pressure and control over the employees to perform for the enterprise to realise profits which at times is done at the expense of the employees.

5.2.3 Privatisation and the retrenched

Many of the retrenched employees I interviewed were unhappy with the decision of government to privatise Uganda Commercial Bank because there were no adequate measures put in place to help the employees that were affected. Employees in Uganda Commercial Bank according to Kisuule (1996) were given three options since 1993 under which they could end their services in Uganda Commercial Bank namely;

- Early retirement for those at the age of 45 up to the mandatory retirement age 55 years
- Voluntary retirement
- Outright retrenchment

The informants said the first two options were just a disguise for the outright retrenchment because those who volunteered and those outright retrenched were all given small redundancy packages. Tumwine, a respondent who had worked in both institutions had this to say;

> *"The salary structure and benefits in Uganda Commercial Bank were different but better than in Stanbic Bank. The services are not significantly better because Uganda Commercial Bank operations were mainly manual and we used to do a lot of bulky work but Stanbic Bank uses computers, permits banking and withdrawing from any branch; the pressure from clients Stanbic Bank workers face is less compared to what we used to experience. Uganda Commercial Bank used to give overtime after 5:00 pm to its employees but in Stanbic Bank I hear it has been scrapped off except in special cases."*

Tumwine's remarks indicated that overall Uganda Commercial Bank employees were better-off than Stanbic Bank. However comparison of salaries as another informant Agaba cautioned was difficult to make because the two banks have existed at different times, changing inflation rates and relative prices of other goods and services in the country at the different periods. Tumwine indirectly accepted that some work was made easy by the introduction of the computers which could be another reason for the layoffs.

Retrenchment apart from it having been abrupt, psychologically disturbing, morally humiliating, many retrenched employees were not adequately compensated (Suzan 1999). A number of retrenched informants showed that they were unhappy because there was no clear criterion under which they were laid off and that even the redundancy package was miserably small and not negotiable. In addition, Atwine, one of the retrenchees referred to the restructuring exercise as '*unfair and a summery execution exercise where many of the* *employees were caught unaware'*. However for those who were laid off in Uganda Commercial Bank and Stanbic Bank, their packages though small, were paid in time. The complaint was that the retrenched were not oriented or prepared for life in the private sector which was small and unable to accommodate many new comers.

5.2.4 People's anger for government privatising UCB

The majority of informants were not happy with the decision taken by government to privatise Uganda Commercial Bank (UCB) basing their arguments on wrong assessment of assets for Uganda Commercial Bank and its financial stand. From the submissions of Dr. Suruma (Parliament 2002) and Uganda Commercial Bank financial audit report 1995 support informants arguments. Some of the informants were of the view that Uganda Commercial Bank was sold at a wrong time when it was making a lot of profits. Besigye, a former employee of both institutions had this to say:

> *"The foreign consultants engaged to evaluate and report on the performance of Uganda Commercial Bank undervalued it giving the general wrong impression that it was bankrupt. Few companies showed interest in buying Uganda Commercial Bank because of the report and so there was no serious competition for it."*

Many people wondered how the only commercial bank government fully owned could fail to be monitored and maintained. The views for many of the informants were that selling *the people's own bank* implied loss of national identity and was considered as a sign of weakness on the part of government or having followed a hidden agenda.

Regarding why Uganda Commercial Bank was privatised and whether it was a wise idea, many issues were raised and others were expressed with emotion. A client, Wesige (above 50 years) found lining up in the bank responded this way;

> *"Government got a raw deal. All the assets, customers, trained workers were sold cheaply. There was no need to sell the 'people's own bank' ... all the profits go to the owner and not Ugandans or Uganda government. There is no investment we see which Stanbic Bank has made in Uganda apart from exploiting us in this bank!"*

He was bitter for the loss of the national identity, effort of the tax payers that were sustaining it before the sale. To him, the employees of Uganda Commercial Bank were contributing twice as tax payers and workers, to sustain it yet they were terminated and sent away to look for other jobs afresh. To him even the issue that Stanbic Bank pays high taxes did not carry much sense because he said:

> *"A private company will accept to pay taxes on what it has declared as profits; how sure are you that Stanbic declares all the profits it makes?"*

It is on such conditions above that one wonders whether a country whose enterprises were privatised in such a manner could be able to meet them and the situation conditions noted above to be able to yields welcome results for the masses. The conditions seem to be one sided and seem to assume a level ground as countries compete for the resources.

5.3 Effects of privatisation of Uganda Commercial Bank and Stanbic Bank workers

5.3.1 Working hours

For about two Months, I observed some daily bank operations as employees and clients came in and went out of the bank. Employees officially start work at 8:00 am and end at 5:00 pm. Services to customers start at 8 am and are supposed to end at 4:00 pm. Often at 4:00 pm customers were still lining up in the bank and though the doors would be closed customer service would continue. This in many cases extended beyond the official closing time at 5:00 pm because they could not chase out customers who would come in before the official time of closing since "a customer is supreme" as the business language goes. This was confirmed by Namubiru, a female teller when she was asked the time she finishes her work, and this is what she had to say:

> *"We open to the public at 8:30 am and close the door at 4:00 pm; but preparations start earlier than 08:30 am. After 4:00 pm many times clients are still lining up and have to be served. I wind up my work after balancing my books and a report made. Many times I leave after 6:00 pm and reach home at 8:00 pm.*

In another interview with Nafuna, a supervisor in the retail section had this to say;

> *" ... Joseph, I am sorry we failed meet on 2 occasions because my schedule at work could not permit me. As I told you, the work is a lot and at odd times. ... I have no fixed schedule even out side working hours, am called to duty any time. We often don't have time of our own."*

From the two quotations above this shows that, a number of employees work beyond the official working hours. Employees report for duty at 8:00 am and are entitled to a lunch break of 30 minutes between 1:00 pm and 3:00 pm. After 4:00 pm for instance, Namubiru has about two or more extra hours to serve the remaining clients and then balance her records, leave alone time spent moving between the workplace and home. Then one wonders what time an employee like Namubiru remains with! The situation for Nafuna and the other workers in her category was more disturbing because it makes planning the day's work difficult and later on assessing one's performance. It was actually hard to schedule the interviews because most of the tellers were not sure of when they would finish their work to attend to me. It is a danger to one's health if rest is foregone for many days besides, employees have other responsibilities to attend to. This agrees with what Namiro, a former employee in both Uganda Commercial Bank and Stanbic Bank remarked regarding exploitation of employees especially in the retail section of the bank and she had this to say;

> *"The way employees are exploited is not healthy and it would be better if employees in more stressful sections like retail could be internally moved to other sections after 6 months because they are overworked and not well paid and the effect on their health can be permanent."*

It was revealed that formally Uganda Commercial Bank official opening time was 8 am and closed at 4 pm but would be open to the public from 9 am up to 2 pm. The closing time for serving the public was later adjusted upwards by one hour to 3 pm. The employees were left with an hour to balance off their records before going home. Employees who stayed longer at work after 5 pm were entitled to and were paid overtime; but I leant that in Stanbic Bank over time is subject to other conditions such as manager's discretion. This serves to shows that employees work longer hours in Stanbic Bank than it was in Uganda Commercial Bank. In Stanbic Bank there is a higher likelihood of extending the working hours, without assurance of getting overtime payment. While in both institutions an employee was supposed to work for 40 hours a weak Stanbic Bank seems to exclude one hour each day that is, from 8 am to 5 pm is considered as 8 hours. Possibly the excluded hour in the time worked for is meant for the lunch break.

5.3.2 Work load versus quality

All the current workers of Stanbic Bank I interviewed indicated that the work load was quite big, stressing and at times risky. They maintained that financial transactions are highly sensitive and require a sober mind lest one makes a mistake which has far reaching consequences that can lead to loss of a job. To show the risk involved in his work, Arinda had this to say;

> "A *financial irregularity at a branch where I was working caused 4 out of 6 employees to be suspended for 5 months but after investigations, two of us were found innocent and we were reinstated."*

The responses from informants indicate that employees are over worked and stay longer hours on duty beyond the official working hours. Overtime payment for longer hours of work than their contracts state exists in principle but often at the discretion of the manager. The also showed that there are high risks involved in their work. This can be considered as exploitation of the human resource where an employee does not get the worth of his labour power. The issues raised by Arinda's case are in accordance with Castree *et al.* (2004) where it is stated that;

> *"We live in a distinctively capitalistic world though not new as a means of producing goods and services, but as a global dominant with the overriding aim as profit. The rationale of capitalism in its different manifestations is therefore not about social equality, equity, human happiness or environmental justice but profit. In the capitalist production processes workers are both a cost and a necessary input to production and though not possible or desirable to eliminate completely in most productions, they can be disposed of anytime, drastically reduced or overloaded with work."*

The conditions and treatment of employees described in the quotation are not quite different from the situation in Stanbic Bank in a sense that there is a lot of restrictive discipline, retrenchment was effected and there constant fear that an employee can be laid off anytime.

5.3.3 Remuneration and working conditions in Stanbic Bank

While remuneration of an employee can be regarded as the direct reward and an exchange for the work done, in many enterprises employees often receive a pay they are not satisfied with. Asked whether employees were comfortable with their remuneration in Stanbic Bank, all the informants indicated that their salaries were low and below their expectations. Some of their responses are summarised below in Arinda's response: "*The salary scaling of Stanbic Bank is wanting because there is a lot of underpaying ….*"

For Asiimwe, who had worked in Uganda Commercial Bank and now a manager in Stanbic Bank had this to say;

> *"It's not easy to measure the amount that would make a worker comfortable but considering other comparable institutions, Stanbic Bank is not a well paying bank and as a result many employees are going away especially the young people. The rate at which Stanbic Bank is losing employees is high. The employees are not happy and that is the reason why others opt to leav*e."

This was in agreement with many other informants who in effect they said that Stanbic Bank needed to pay them a better salary because the workload was big and working longer hours than the time of Uganda Commercial Bank. According to another study by Ministry of Finance 2000, showed that the public (78 percent) was against the sale of Uganda Commercial Bank had expressed fears that if it was privatised then the workers would be laid off and those remaining behind would be under paid (Dumba et al. 2001). Most of the informant indicated dissatisfaction at work arising mainly from low pay, limited job security, longer working hours, strict supervision and general low status of an employee. Some of the informants said there is inequity in payments where foreign employees were paid higher salaries than the indigenous. This has a negative impact on the performance because if employees perceive that inequity exists in their rewards, they are likely to withhold some of their contributions, either consciously or unconsciously, to bring a situation into better balance. Employees always compare the pay and benefits with those of the other employees to ascertain equity and fairness at work, Namiro, a former employee of both administrations said:

> *"Considering what I would be able to pay for with my salary when I was in UCB I could not when I started working in Stanbic although the salary was slightly higher. In addition, revision of salary in Stanbic was rare*."

However the employees' shaky status with the limited job security cannot permit them to demand their workers' rights and for that reason they give in to the exploitative conditions. The strict conditions in which employees in Stanbic Bank work and the limitations to popular debate, rejecting workers union, under paying employees seem to show manifestations of exploitative tendencies by Stanbic Bank in Uganda.

5.3.4 The social cost of privatisation

Many people in Uganda hold a banking institution with high esteem and being employed in it is considered prestigious. At least for the period after independence banks have been known to be well paying. The introduction of privatisation therefore seems to have reversed certain trends and payments to employees. Privatisation wherever it has been carried out has shown that it entails a heavy cost to be paid especially by employees who lost jobs on two fronts that is, by the divesting governments because they wanted a better price for the enterprises and after privatisation the new owners reduced the employees further in order to make the enterprises more profitable (Van der Hoeven et al 1997). The cost of privatisation is financial and social but the latter has far reaching implications which this research has tried to assess. The social cost cannot be paid at once because it involves psychological orientation and accepting the new and in most cases unfavourable conditions for the concerned and it takes time. One of the retrenched employees formerly in the department of Estates and Construction shared with me his detailed experience during the interview and many issues were raised and some are summarised here below;

> *"… I had gone upcountry on official bank constructions supervision and … on the fateful day I found a letter on my desk. It carried the terrible news that I had been relieved of my duties in the Bank with effect from June 1995, and that I had to liaise with a senior Officer to arrange the handover after which my terminal benefits would be given to me. It was a nasty experience, it's because I was clear headed otherwise I*

would have 'blacked out'. It shuttered all my plans and programmes. I had to plan to change schools where my children were studying to those I thought I would afford. It was a summery execution exercise where many of us were caught unaware. There was no adequate warning, no protection for employees at all. The restructuring was unfairly done and only favoured Uganda Commercial Bank and government."

In the quotation above Atwine's experience of the shock with the surprise letter of termination then the psychological unrest wondering what wrong he had done to be laid off, the exercise having been executed very fast clearly shows that the cost of privatisation is quite high and it goes beyond the financial loss. The privatisation process cost him the joy of being a worker and he may not recover from it since he about 55 years at the time of his retrenchment and had not secured a stable job. At the age beyond 55 years he expected less chances of being employed yet had no more money to invest for future returns. This and other examples of those who were retrenched faced hard conditions and the government was not able to help. The situation concurs with what the first Deputy Prime Minister of Uganda on 23 April 1989; at a privatisation conference when he sounded a note of caution about the likely result of the privatisation process. He had this to say;

> *"Unemployment will result from privatisation ... We do not even have a welfare system to assist displaced employees which has negative effects on aggregate demand let alone the misery entailed for the affected"* (Privatisation Conference 1989)

At the opening of the National Structural Adjustment Programme Review Initiative forum, June 1998 in Kampala, it was pointed out that over 350,000 employees had been retrenched causing a lot of unemployment. And that those laid off were not prepared for life in the private sector and were given very small terminal benefits. The information given concerned few of the small and medium scale enterprises that had been privatised. Large enterprises and utilities were privatised after 1998 such as Uganda Electricity Board (UEB), Uganda Railways and UCB. However Uganda Commercial Bank had already started the preparations for privatisation and some of its workers had already been retrenched. Regarding retrenchment benefits as expressed in the above quotations, there is a tendency for the retrenched not to appreciate and accept that the package was sufficient mainly because there was hope that in future an employee could have salary increment and earn more. It was also difficult for government to make adequate redundancy packages to compensate workers because it was on the background of poor performance that the enterprises were being privatised. This however does not justify that employees' should be retrenchment in the first place, it is to note that privatisation which results in retrenchment requiring compensation is costly especially for the employees and the divesting government.

The new enterprises tend to be smaller as the owners streamline them and shed off excess staff. The prime motive for private enterprises in business is profits. Owners of private enterprises will anything to earn the profits. The act of retrenching employees is always a problem because government does not want to be seen as the one retrenching the workers for fear of spoiling the political stage and the new enterprise owners want to protect their businesses by not antagonising the workers. Since the profit motive is stronger and divesting the interests in the enterprises is deemed irreversible by government then employees are retrenched either way (Daily Nation 30/10/1989:11). When state owned enterprises are privatised a number of employees lose their jobs, since most of the public enterprises generally employ many workers as a political strategy to win more votes and a means to reward supporters, and the new owners are unwilling to maintain them(Kikeri 1998).

Government advocated for the sell of Uganda Commercial Bank especially in the presidential speeches and other government officials at different fora and this naturally affected many plans and programmes of the bank. Future plans were halted, current ones slowed down. That situation was 'forcing' every employee to plan a way out should the privatisation process adversely affect them. One of the retrenchees, Tumwine explained the situation this way;

> "... the *officers handling these retrenchment packages were seeing an ending venture and knew it was a matter of time, their turn would come. So they underpaid us in order to remain with the difference for themselves. They wanted to make as much money as possible for the shortest time they still held controlling positions in the bank. For instance some machines would not be readily replaced when they broke down when they knew that the bank was to be privatised and some officers would even inflate prices of items bought for the bank to get a difference to their advantage. There was little that was gained by employees and the common man because those who were retrenched were given very little money that could not sustain them for long and those who were retained are over worked and paid a small salary with no job security."*

The government of Uganda had declared its commitment to the divestiture programmes but at the same time there was a problem of very few Ugandan with enough capital capable of buying the enterprises. According to the president's opening remarks at a Privatisation Conference in April 1989, he said:

> *"State owned enterprises have been valued at $ 1 billion equivalent to UShs 200 billion. The total money supply in Uganda is about UShs 50 billion; the total assets of the commercial banks in Uganda were valued at UShs 46 billion as on 31 January 1989. The total customers' deposits in the banks amount to UShs 21 billion and total deposits constitute a pool of funds from which banks can lend. Where will the money to buy these enterprises come from?"*

From the president's remarks in the quotation above, shows that the amount of money in the Ugandans economy was not enough to buy the enterprises the government wanted to divest. It also showed that the obvious remaining option was to sell the enterprises to foreign firms since they had the money. In spite of the obvious economic sense the president's argument made, this did not remove the underlying questions many people wanted answers for, why government wanted to sell the enterprises, what benefits and what next after the sale. One informant said:

> *"… There was no need for government to sell 'the people's own bank!' It was indeed a Christmas sale for Stanbic Bank alone. There is nothing to show the value from the sale of Uganda Commercial Bank…."*

Another employee, Nafuna who is a supervisor was also against the sale of Uganda Commercial Bank and she had this to say:

> *"… even the money that was paid, $ 19.5m was not its worth! It was sold at a wrong time because it was making a lot of profits. Its privatisation placed many people at crossroads like the employees who had no where to appeal since it was government in essence that was selling and retrenching employees at the same time. The customers were left guessing about the fate of their money and lack of adequate services during the transition. The workers were pushed to the private sector with little assistance from the government."*

It was not only the employees and the public that expressed concern and fear for the consequences of privatisation even the top political leaders of the country tried to show their concern. In his opening remarks at a conference on "Social and Political implications of Privatisation in Uganda" on 23rd April 1989, the First Deputy Prime Minister of Uganda had this to say:

> *"… African countries that have embraced private enterprises and those that have maintained public enterprises have remained equally poor. …many employees are most likely to lose their jobs as a result of privatisation since most private firms tend to streamline staffing levels to raise productivity and therefore profit. Such people may not be absorbed anywhere else since the economy is not expanding fast enough..."*

It is clear these political leaders expected the life of an employee to be difficult in the enterprises that would be privatised and/or the new enterprise but they still went ahead and sold off the enterprises hoping that such an atmosphere would instil a spirit of discipline and hard work which had been eroded by the political turmoil and systems break down for the last 30 years or so. It was also noted by the Deputy Premier that training business managers was crucial for the private sector since it was the new big employer (Privatisation Conference 1989).

After privatisation Stanbic Bank still remained the biggest bank in Uganda and was seen to have employment opportunities for many people. However having retrenched more than 50 percent of the employees that were inherited from Uganda Commercial Bank there remained a challenge for employees in this bank. Those retained spoke of have lost some privileges. A number of informants expressed that Stanbic Bank as the available sound enterprise utilises the chance to offer terms that are at times deemed unfair to its employees. Like many other private enterprises employees have limited say, no job security and it is easy to recruit from the huge reserve army of the unemployed that was created during the privatisation process and when the new enterprises reduced labour intake in their establishments. The new challenges employees face after privatisation are such that they need to jealously guard the jobs almost at all costs; they have to accept to work longer hours, low pay, flexible and short term work contracts, limited job security and heavy workloads as part of the cost they have to pay in the face of the privatisation reform.

5.3.5 Privatisation and price levels

Informants expressed the view that prices for many products went up after many enterprises were privatised. Prices of services and products that have greatly affected the lives of many people that were commonly cited were electricity, water and health. Mukasa, a former employee of Uganda Commercial Bank had this to say said:

> *Privatisation even in other companies has made products very expensive, take the example of electricity, before privatisation, a unit of power cost about UShs 100 but today the one domestic unit costs UShs 456; One bag of Cement (50kg bag) cost UShs 12,000 but today its around UShs 30,000 and many other products and services. There was little to gain from that whole process, the cost is twice as expensive as before!*

5.3.6 Employment turnover and leave

Most respondents indicated that the number of employees who leave the bank is high even at managerial level due low salaries and unfavourable working conditions one respondent remarked

> *"… the rate at which Stanbic is losing, its workers is quite high even at managerial level; an indication that we are not happy with the working conditions and the remuneration"* (Nafuna an informant)

An employee in Stanbic Bank is entitled to a leave of at least 21 days in a year but some employees prefer continuing working and 'sell' their leave to the company to get some extra money. Stanbic Bank has taken a strong stand that every employee ought to take his or her leave and no extra pay for those who forego the leave. Employees are supposed to work 8 hours each day and 40 hours a week starting work at 8 am up to 5pm, which means each day one hour not accounted for possibly time for lunch. It is as if in that one hour an employee ceases to be at work!

5.3.7 Promotions and discipline of workers

As a management strategy many organisations often take measures to motivate their employee and these may include bonus, awards, salary increments, promotions and others. Some informants talked of Stanbic Bank being slow at or indifferent to some of these motivation measures. Regarding what the bank does to motivate its employees, this is what Asiimwe had to say;

> *"Stanbic Bank is not interested in promotions of its employees mainly because it involves a cost which it tries to avoid …"*

It is clear that Stanbic Bank is trying all means and ways to cut down expenditure on employees and general expenses. An employee, Nafuna who was retained when Uganda Commercial Bank was privatised, confirmed Asiimwe's observation regarding promotions and keeping the labour cost low, this is what she had to say:

> *"Many of the former employees of UCB who were taken on by Stanbic Bank were demoted and taken up at lower levels disregarding their experience or on job training attainments and awards. Others were given different titles but in very few situations were the retained employees elevated to higher positions. It was not easy to complain because many employees had been retrenched and so we felt it was a privilege to have been retained."*

In her explanation being taken on at a lower rank than before meant lower pay and by not promoting employees meant that their pay remained low, either way the wage bill was kept low on that background which benefits the bank. On the other hand, discipline in day to day operations is observed as informants revealed that there is constant monitoring of the work through a scoring system which Stanbic Bank introduced which involves the immediate supervisor and individual employees in awarding points for the tasks accomplished. The system was explained by Namiro this way:

> *"A scoring system too was established where your immediate supervisor awards points according to the assignments accomplished. Each employee too evaluates oneself and submits a report to the supervisor."*

According to Namiro the system seemed to inculcate a sense of discipline at work and made fast accomplishments. She added that management in the bank was keen on punctuality; time bound targets and customer care. This I also observed especially at lunch time, tellers would remain serving the customers and one could hardly know when they take their lunch. The bank management is interested in monitoring when the employee reports for duty and what he or she does but not seem to be keen when the same employee leaves otherwise there would be no complaint regarding overtime payments which some informants complained about. Quick attention to clients is expected but the employee who serves them does not seem to receive the same attention when he/she demands a higher pay. Namiro one of the informants noted that:

> *"Management of Stanbic Bank is willing to throw a party to the whole staff but are not ready to increase pay to the same employees!*

The possible explanation for the preference of a party than increment in salary is that the latter is a permanent cost and an entitlement whereas a party temporary and cannot be demanded by employees. The remarks from the three quotations above help to show that Stanbic Bank employs all possible cost reducing strategies only some of them adversely affect the employees. It can be argued that employers and employees alike want more money from the establishment and while employers demand quality work employees want good working conditions where work is allotted reasonable time, tasks that are not so strenuous to deprive them of good health and other responsibilities and to enjoy the work without living in constant fear of losing their jobs. The required standard of work can be achieved without necessarily exploiting employees but with measures such as promotions, salary increment, performance related remuneration which can motivate employees to put in more effort.

5.3.8 Job security

There was a state of fear and anxiety surrounding the employees regarding job security, heavy loads of work, which could be felt as informants gave their views and perspectives of their experiences at work. According to the informants there is a marked different working atmosphere in Stanbic Bank and more challenging for the employees compared to the one that was in Uganda Commercial Bank. The difference in working atmosphere was attributed to the privatisation policies as Kakembo one of the young employees responded when asked about employee-employer relationship;

The relationship is functional, as long as an employee is 'delivering' and can meet periodic targets set by the bank then he is safe at work.

From the quotation, Kakembo's explanation showed that provided an employee was hard working and able to complete the required work and reports in time, then that is the job security and there doesn't seem to be any other assurance for one's hold on to the job. It was revealed also that the workers union existed in Uganda Commercial Bank but it was not accepted to cross over to Stanbic Bank instead a consultative meeting that sits about twice a year was instituted. A consultative meeting constitutes employees representative(s) from five regions of the country where the bank has branches. In addition it was revealed that if an employee was involved in a case with management the disciplinary committee does not accept any outsider to intervene in the case and for that matter a lawyer is not accepted to defend an employee. In one of the clauses in the employment contract of one of the informant read like this:

"... the board reserves the right to terminate the services of an employee anytime without prior consultation of the employee ... the concerned employee is free to appeal..."

This shows that the powers private enterprises possess especially after privatisation further jeopardises the position of an employee in the enterprise and in production process.

5.3.9 Staffing trends

It was necessary to ascertain the actual number of employees Uganda Commercial Bank employed before it was privatised in order to assess the impact of privatisation on employees beginning with the size of retrenched staff and those remaining. Staffing levels were changing with the opening and closure of bank branches, economic and political situations prevailing at the different times that would influence this Bank. It was not a surprise that many respondents had little information about staffing levels but the common position for all informants was that the number of employees in Stanbic Bank was much smaller than those employed during Uganda Commercial Bank time. The senior officers among the informants put the figure of those retrenched about 1500 and the current number of employees in Stanbic Bank then at about 1300. Asiimwe who had worked in both institutions had this to say;

> *"The number of employees increased as more branches were opened but in the late 1990s, Uganda Commercial Bank employed more than 3000 and those retrenched were more than 50 percent and Stanbic Bank employs about 1300; the yard stick used to determine who would go or remains was a top secret for the management".*

Nafuna who had also worked in both administrations said;

> *"Very few managed to cross to Stanbic Bank and from the branch where I was working 4 out of 10 were retained but over 1000 employees were retrenched in Uganda Commercial Bank; the criterion used is unknown*."

From the above information about 1500 employees lost their jobs, which is more than 50 percent of the total number of employees in Uganda Commercial Bank then. Information from the prospectus issued by Stanbic Bank, in the second half of 2006, showed that the bank employed approximately 1200. The general trend of the expansion of Uganda Commercial Bank branches and employment levels are indicated in the table below.

Table Showing Expansion of UCB Branch Network and Employment

Month	Year	Branches	Deposits	Employees	Remarks
Oct 9th	1965	9	42m	$N \leq 50$	Beginning of the bank
	1972			470	Bank expansion program
Sept	1973			1000	Economic war
Sept	1974			1430	Commodity scarcity
Oct	1975	45			Scarce foreign exchange and low industrial output
	1979/80			1600	War time
	1982/83			1535	Reconstruction Time
	1983/84			1380	Political turmoil
	1984/85			1540	Gorilla war
	1986/87			2816	Reconstruction Time
	1987/88	+55 opened	Increased by 300%	3300	Special Bank Expansion program
	1988/89	+65opened	Increased by 126%	3370	
	1990/91	190	Increased51.7%	3370	Peak performance
	1991/92	250*		No data	Many bad Debts & Operational costs
	1992/93	12 closed		525laidoff	
	1993/94	32 closed 84 remained		1671	84 branches remain in prep for privatisation
Oct	1997	65			

NB: Staff reduction and closure of bank branches in 1990s were in preparation for the privatisation of Uganda Commercial Bank.

- 250* - Not readily justified by other sources

SOURCE: Computation from literature

According to the Structural Adjustment Policies Review Initiative (SAPRI) survey (1995) and Uganda Commercial Bank news letter 9 October 1975 other writers like Kayizi et al. (1992), Uganda Commercial Bank started with 9 branches and employed about 50 people in 1965. Many branches were opened thereafter reaching a peak in 1991/92 when it had 250 branches

SAPs Survey (1995), although other sources indicate that the peak was 190 branches in the country and employed over 3770 people between 1989 and 1991. The next one year or two marked the highest operational expenses and highest level of provisions for bad and doubtful loans thus the beginning of loss making trend. In financial year 1992/93, twelve branches were closed and 525 employees terminated, the following financial year 32 more branches were closed. By the end of 1994, only 84 branches were remaining with 1671 employees. Years that followed, some of the branches were merged though the number of employees slightly increased. This serves to show that termination of employees in Uganda Commercial Bank as a measure to reduce operational expenses started as early as 1993 when the board of directors endorsed three options for staff reduction namely:

a) Early retirement for staff between 50 and the mandatory retirement age of 55;
b) Voluntary termination of service; and
c) Compulsory retrenchment.

By the end of 1993, a total of 550 had already been laid off but this did not stop the escalation of operational expenses and so the next phase was implemented and more were earmarked for termination based on qualifications, competence, integrity or discipline, attendance, punctuality, health and availability of positions (Brownbridge 1996).

It can be noted here that the expansion strategy to cover the rural population for national or political reasons could have been good in the circumstances but it was too big a move for Uganda Commercial Bank to contain, considering its technological level, quality of staff, monitoring safety nets, the nature of the economy being basically subsistence and the multi-dimensional objectives it was meant to serve.

5.3.10 Diminishing allowances and limitations on loans for workers

Employees can be considered stakeholders on two accounts that is, as workers and customers in Stanbic Bank. However according to Nafuna, Arinda and Asiimwe, employees face limitations in accessing some of the services the bank offers to other clients in general. It was revealed that employees are not entitled to big loans because the regulation of the bank states that employees are not supposed to be involved in business. A big loan would mean the employee is involved in business which is against the regulation of the bank. Other loans have high interest rates and short repayment period which many employees cannot afford which further limits benefits employees in Stanbic Bank would be able to get.

According to respondents Stanbic Bank has a limited range of benefits for its employees. Respondents talked of reversal or removal of facilities and allowances and they highlighted medical allowance as having changed outlook. In Uganda Commercial Bank employees who fell sick would get treatment from recognised hospitals or clinics and full refund or financial support would be given. The refund would be given to the employee on producing receipts from those hospitals. In Stanbic Bank, this is now different. Namiro a former employee of both institutions had this to say;

> *"In Uganda Commercial Bank a worker would go to a recognised hospital/clinic for treatment and his/her medical bill would be fully refunded by the bank but in Stanbic Bank medical allowance was reversed it is now medical a contribution from employees to a fund every month. Even when an employee is sick, not the entire treatment bill is paid by the bank but a portion of the bill is paid depending on your rank in the bank! In case an employee does not fall sick, he/she cannot claim that money which was deducted from the salary!"*

According to Namiro, the medical fund in Stanbic Bank is like self-help pool from which employees draw some assistance to treat their sickness but not a privilege or an allowance from the Bank. Since each month every employee contributes to the medical fund and not all who contribute fall sick, it would be fair that on leaving the institution one's full contribution should be refunded.

Stanbic Bank employees receive a consolidated salary as their monthly income including allowances which is then taxed. Informants complained that taxing allowances is double taxation because considering allowances on transport or electricity, the fares and cost per unit of electricity are final consumer prices which reflect a tax on them already. It would be fair if only the basic salary is taxed since allowances are differed payments based on final consumer prices that include the tax already. This kind of arrangement further reduces employees' income. There is no benefit for the employer either when the employee's salary is overtaxed, because the employee will remain dissatisfied with the pay which consequently is not a motivation to work.

5.3.11 Impact of privatisation on retrenched employees of Uganda Commercial Bank

The impact of privatisation is both short and long term, it can be noted that different employees are affected differently. The retrenched as a result of privatisation that is, when government made efforts to restore performance and profitability of Uganda Commercial Bank by recapitalisation and closing some bank branches consequently reduced the number of employees. This resulted in unemployment or employment in other institutions. When one of the informants was asked where the retrenched employees went, this is what he had to say:

> *"The retrenched went in all sorts of directions each trying to fend for oneself. Many joined the private sector, while some joined government departments that had not been privatised, other banks, post office, other privatised companies others sought self employment in business, forex beaureu, farming, consultancy like me. Others sought self employment to avoid the experience to be laid off* again. There *are others who have not got permanent and regular jobs."*

An institution tends to bring a group of people and professions together and as for Uganda Commercial Bank the set up was dismantled with privatisation, many joining sectors and institutions that had no direct connection with banking. It is not easy to know who is working where because many joined the informal sector with no job titles except. As indicated in the quotation above it helps to show that a number of professions, skills were rendered redundant in sectors where they were less required. This again called for retraining and searching for new placement, starting anew. Few of the former employees of Uganda Commercial Bank that were retained spoke of many changes in strenuous working conditions, highly taxed remunerations, reduced benefits all having come with increased workload, underpayment, flexible and short term contracts and increased job insecurity.

Other former employees who were able to secure employment in other enterprises started as beginners at the lower level of promotion and remuneration ladder. Among the worst hit by the privatisation are those that have not been able to get regular and fairly permanent jobs. Some of the informants joined farming on a small scale and subsistence levels to provide for their families and little income to meet school fees for the children.

5.3.12 The role of labour laws and trade unions

Trade unions in Uganda are coming up to address the issue of workers plight. They lobby government and try to sensitise workers to know their rights as workers and citizens. According to an official from the National Organisation of Trade Unions (NOTU) in Uganda, he voiced the organisation's efforts to sensitise workers and constant negotiations with government to ensure better conditions for the workers in the country. Due to ignorance of their rights and entitlements, it was difficult to advance a cause or put a claim of what was due to them. As already pointed out in chapter one, that many years of political turmoil and civil strife dismantled the social and moral fabric of workers and dismantled institutional capacities, in addition the frequent and in most cases destructive nature of acquisition of power of these governments stalled some systems that were already operational and changed priorities. In each of the changes in governments workers cause would never be a priority especially during Amin's era where there was real abuse of human dignity and rule of law not to mention workers' rights. The current government that assumed power in 1986, has given chance to national trade unions to be formed, the gesture is shown by the treaties government has ratified with International Labour Organisation (ILO), African Charter for Human and Peoples' Rights (ACHPR), African Peer Review Mechanism (APRM) which monitor and oversees how the African people are governed by their governments and employers.

However the existence of trade unions and being effectively operational are two different things; the challenge for government and trade union leaders lies in putting the labour laws in practice. Labour laws can only be of benefit if they are observed in the working situation and workers and employers are sensitised and government monitors the implementation. It is well known that few governments encourage trade unions since they tend to side with workers consequently challenge government policies. For this reason and the fear that these trade unions might be used by political opponents, funding from government is least expected. The legal status of trade unions is shaky as it depends on voluntarism and so cannot freely charge money to implement their activities.

The new position of government after most of its enterprises were privatised and where many workers are in private hands and well knowing that funding for trade unions is through small contributions from members and donations, the effectiveness of these laws may remain on paper with little work done and no benefits for the worker. Private enterprises tend to make their operations private making it difficult to access and monitor them. This makes trade unions activities and advocacy for better conditions of work and a higher pay to be irrelevant in championing the majority's voice. Trade unions cause is often made known by involving the vulnerable workers in demonstrations and one can easily think that the cause is understood by employers and governments but they rarely achieve their ultimate goals! Strikes in one of the largest motor company, General motors in UK, Nigeria, S.A. did at different moments paralyse operations in General Motors company, a rather clear sign that the labour cause was serious, understood and that it needed to be addressed. After the strikes, many promises were made but conditions did not improve significantly as promised and expected (Moody 1997). In Uganda Commercial Bank, managers and supervisors were not allowed to join the workers' union and therefore would not get salary increase when workers union negotiated an increase for the unionised members. A demonstration by the managers and supervisors demanding salary increase resulted in many being sacked. When it comes to developing countries, trade unions are stifled by the respective governments (NOTU 2007; Moody 1997)

In the world of work, the employer and worker are never equal. Due to the negligible portion a worker receives per unit of work, the employer is able to accumulate and enrich himself. In times of strike the employer can afford to sustain for a year while rarely can a worker subsist on passed savings for more than a week, very few can for a month. The employer is stronger on the account of his position, resource power and knowledge. The employer can afford to coerce the worker (Engler 1995:18). For this matter therefore, labour laws and trade unions are considered ideal in guiding employers and employees to peacefully relate to each other and to one another at work (Castree et al. 2004)

Chapter Six: Conclusions and recommendations

6.1 Introduction

The chapter presents conclusions and recommendations of the study. The study examined the privatisation of Uganda Commercial Bank and its impact on employees. Privatisation is a policy that has profoundly affected everyone the world over but adversely in developing countries. In the 1960s and 1970s, nationalisation was the wave; contributions among others included nationalism, unity and joint effort to fight hardships (unionism) or 'harambee' and although it took long to come close to its objectives, to-date it is on the attack. The market economy ideologies are exactly against the "group thinking" and stress "individualisation" of property and rights although not in the real sense of every individual but "some". The new thinking has brought new rules and structures.

Traditionally, permanent employment in Uganda was strengthened by the existence of institutions, regulations and practices that enabled people to be recruited and retain positions at the workplace so as to pursue an occupation and a career; but with privatisation and the deregulation of the labour market, casual jobs and short term contracts is common causing job insecurity. The joblessness situation does not raise serious concern among policy makers and employers (Bhandari 2006). The impact of privatisation on the worker arises from the new outlook and position of labour.

6.2 Conclusions

The financial policy that led to the privatisation of the state owned enterprise - Uganda Commercial Bank- whose role and size was the biggest in the country, involved many sectors, officials and stakeholders, and it was quite demanding. The different arguments by the informants, the justifications for government's decision to privatise its institutions and the international institutions that recommended and pushed for pro-market economy reforms are divergent and some contentious. While the government hailed privatisation that it would create jobs for the masses, many workers lost jobs instead. In cases where new jobs have been created with good pay, the employment comes with it hard work, job insecurity and overall very few positions. The international financial institutions that push for privatisation are not politically accountable to the citizens but in the end the masses and the workers suffer.

The primary mission of Uganda Commercial Bank was "*to give the indigenous Africans access to banking services and to promote economic development in the country.*" By privatising the bank the mission was abandoned which had development objectives for the country. As a result the serves offered are more expensive to be accessed by many local people. The need to reach to the real people it was intended serve resulted into expansion of its branch network beyond what was profitable and sustainable. While the political leadership was instrumental in the expansion of UCB, the frequent and destructive wars, violent change of governments together with political interference caused its downfall and final privatisation resulting in many job losses.

The study established that although UCB was in financial stress, there was no political will to assist the bank overcome the problem because the top country leadership wanted Uganda Commercial Bank privatised. Considering the nature privatisation has descended on to developing countries, which has been through financial institutions and political leaders, so it was in the case of Uganda. Gauging from the respondents' information and surveys that had been carried out by Ministry of Finance in 2000, a clear majority of more than 75 percent did not want Uganda Commercial Bank to be privatised but it was.

The new position of government after most of its enterprises were privatised and where many workers are in private hands is not strong. Trade unions have been distanced from employees due the new position of government becoming a minority employer and the workers unions are not permitted in many private enterprises including Stanbic Bank. This situation makes the position of employees in private enterprises even more vulnerable, open to exploitation and viewed as a cost of production instead of a legitimate stakeholder

The study established that the main problems Uganda Commercial Bank had before it was offered for sale, were a large percentage of non-performing loans, inside lending and corporate governance but the first action was to layoff employees. While government could not help Uganda Commercial Bank to offset the loans, a refund of the exact value of the loans was made just before privatising the bank indicating that the plan to privatise was pre-meditated and it had to be done due to forces through the top political state managers.

Findings of the study have shown that as a result of privatisation conditions for bank employees have changed compared to those during Uganda Commercial Bank.

- Salary is paid as a consolidated amount to give an exaggerated figure including allowances which is then taxed, something employees said allowances should not be taxed. Salaries were not readily comparable due to inflation over the years, increased prices of goods and services and other factors but many felt Uganda Commercial Bank paid its employees better than Stanbic considering what the salary was able to purchase in the market then.
- There is strict supervision and heavy loads of work. Employees start work at 8:00 am and are supposed to end at 5:00 pm, and Stanbic Bank considers that duration as 8 hours instead of 9 hours, this means an employee loses 1 hour each day.
- Overtime exist in principle but often not given and subject to manager's discretion.
- Workers union used to operate in Uganda Commercial Bank but it was disallowed in Stanbic Bank although an inferior arrangement was put in its place.
- Concession on Medical expenses that used to be medical allowance changed form and in effect it is a "*monthly medical contribution*" deducted from each employee's salary toward a "medical fund". This implies that "medical allowance" changed to "medical expense" on the part of the worker.
- Stanbic Bank employs lean staff to man the different branches of the bank which leads to heavy workloads.
- Casual jobs and short term-contract work (outsourcing) is a common phenomenon now which threatens the job security of employees because the outsourced personnel is cheaper for the bank.
- Many of the employees indicated, in effect that maintaining their jobs is functional; being able to accomplish the set tasks is what counts and it is the job security.
- Promotions are not common and informants attributed it to the cost-cutting strategies the bank employs.
- More than 2500 employees which were more than 65 percent of the former employees were laid-off before and after privatisation.
- High bank charges including interest on loans and low interest on savings accounts have discouraged many local people from borrowing and saving with the bank thus the original mission to assist the local people to access banking services so as to

participate in the economy growth and development of the country is fading away with profit and market objective in Stanbic Bank.

- Finally, Namubiru, one of the informants said: *"Employees are really discontented with the pay. There is too much work and because of the lean staff on the ground, we do it under tension."* In spite of the efforts by government to improve the performance of public enterprises by privatising them, employees have continued to earn less and less due to the change in objectives by private employers in which profit maximisation instead of welfare makes the employees work hard under harsh conditions yet earn less.

Privatisation of Uganda Commercial Bank may be found to have improved performance, depending on the measure one chooses to use, but measuring improvement basing on profitability may not show the benefits employees used to get from Uganda Commercial Bank that could not be reflected in the salary but when monetised would make their pay higher. Stanbic Bank uses cost-reducing strategies to hold the salaries of its employees low and making them work hard in order to maxise profits. These circumstances have encouraged exploitation of employees.

In the face of privatisation there is urgent need to examine what has taken place so far. Reporting on events that have made history is not enough but a basis for future prospects. Privatisation appears today to have acquired certain legitimacy backed by strong financial institutions virtually in all economies at a fast speed even in spheres least expected to be privatised such as social amenities or 'commons' but it need not continue at that pace indefinitely and in principle it could reverse.

As the saying goes that '*he who pays the piper calls the tune*', the private sector has been empowered by the reforms and it provides the funds that run the economy and government it follows that the same sector greatly influences the government. As for the multinational financial institutions such as World Bank and International Monetary Fund, their financial policies are more or less the government policies for many developing countries. It follows from the above that the influence of the private sector and the International Financial Institutions in particular, has been placed at the vanguard of many developing countries' economies control including their governments. There is limited control by the national governments especial those that are highly indebted since they do not directly control the policies they use and depend on the funds provided by the private sector.

Privatisation of Uganda Commercial Bank may be found to have improved performance, depending on the measures one chooses to use, but measuring improvement basing on profitability may not show the benefits employees used to get from Uganda Commercial Bank but were not reflected in the salaries. As a private enterprise Stanbic aims at maximising profits as an essential component of private enterprises, by underpaying and retrenching employees, also making them work for longer hours. This situation has encouraged exploitation of employees.

The views of informants regarding proceeds from the privatisation suggest there is little evidence to show where it has been invested either in projects or in capacity building for the country. According to the East African newspaper (22/10/2001) the proceeds from the sale of Uganda Commercial Bank and other enterprises was consumed by the recurrent budget expenditure without replacement.

Corruption many people commonly alleged marred the privatisation of Uganda Commercial Bank was partly responsible for causing hard conditions for former employees because the meagre retrenchment packages was partly a deliberate action to enrich some of the officials while they still held controlling powers in Uganda Commercial Bank.

Many countries in Africa and Uganda in particular, think privatisation has not brought development but "economic re-colonisation" instead and that it has aggravated poverty on the continent. The political state managers have been made and inclined to think that virtually everything can be privatized; small business entities and utilities have been put to the market test with complete disregard for the protection or obligation to save the vulnerable workers and the poor in the country. With privatisation 'development' is in enterprises whose productivity benefits are either repatriated because law provisions allows it or in goods and services that flood the market but masses lack money to buy them due meagre income and high unemployment, making that type of development less beneficial. As a result privatisation in developing countries has failed to achieve the best for the masses because the institutions that pushed for privatisation of globalization used designs that disregarded characteristics and requirements of economies in developing countries.

In spite of three decades of structural adjustment programmes many countries have registered minimal improvement. The most successful economies by far have been China, India and Vietnam which have pursued gradualist policies, but most of the developing countries that were subjected to the shock therapy reforms have not performed well and it is believed that the speed at which the reforms were implemented caused more shock than therapy (Vladimir 2000; Stiglitz 2006). There is increasing outcry from developing countries that privatisation of public enterprises has led to increased poverty and hard conditions. Yet even with the increasing evidence of the hardships and damage caused by such privatisation, the international financial institutions insist that the remaining enterprises should be privatised.

Benefits from the privatisation of UCBL (at 90 percent Stanbic Bank 10 percent the state) remain questionable. Stanbic Bank with a monopoly position in the financial sector of Uganda gives limited opportunity for the public to benefit from its operations.

Privatisation in principle could be good as some informants have noted that political interference was averted but it over stresses reliance on market forces in determining what is needed in the market. However 'free market' is never free, there is no free flow of capital, labour or even resources; they are controlled; labour mobility is checked by national boarder restrictions, uncertainties in expectations. Competition is a virtue and naturally leads to improved performance and better standards but under privatisation this behaviour is coerced, calling for self-defence and a struggle for survival which often leads to unjust means to acquire the resources competed for in this case.

It is my conviction that the private sector led paradigm will result into desired development if it is sustainable where people are involved and feel part of what provides for their livelihood not what "trickles" from the employers. There ought to be a system(s) how the majority should earn income from their work or otherwise to be able to get the basic needs and thus to have effective demand for the goods and services on the market. There is need for a well laid labour strategy in which employees' active life at work contributes to the life when they are no longer able to work and those laid-off can be well compensated. Such a strategy would permit laid-off employees to search for other forms of employment and limits obstacles to private job creation. All in all employees have been adversely affected by the privatisation of

Uganda Commercial Bank and more so for those who were retrenched and have not secured jobs.

It is difficult to overstate how profound the implications of privatisation root deep into the livelihood of the people it seemingly claims to save because majority have lost out on the ability to earn, right to a descent life and hope for the future.

6.3 Recommendations

Given that the private sector apart from being small it is less organised on a unified and standardised criteria. There is agent need for skills and knowledge in the management of small and micro projects to enable employers and their employees improve earning capacity and to be able to provide employment to the many that have been retrenched from the public service.

The government needs to discuss with the private sector regarding a minimum wage and some minimum working conditions and job security. The private sector has many different sizes and level of operation and therefore bound to pay employees differently as there are no uniform scales.

There is need to have strengthened supervisory and regulatory institutions so as to control the private enterprises although as many authors have resounded and experience has shown, it is notoriously difficult to monitor and control private enterprises. The regulatory structure may not be the simple medicine for the problems of the enterprises but for government to acquaint itself with what is taking place in the economy to limit excesses and encourage constructive innovations. For the many privatised enterprises, the profit motive has caused economic and social imbalances and government should improve the regulatory and supervisory machinery to establish what is taking place in the economy, the enterprises in particular and to guard against malpractices in the private sector.

Financial institutions regulation role is sensitive and it should be carefully spelt out where it lies; whether in the Ministry of Finance, Central Bank or an independent regulatory authority. This would serve to avoid such problems as those which arose when the Central Bank seized

Uganda Commercial Bank for about 3 years and Parliament queried some of the actions the bank undertook in the privatisation of Uganda Commercial Bank.

The government should encourage institutions that technically endow people with key skills that can be relied on in assessing financial soundness of enterprises so that they can be guided not to collapse. Since most of the public enterprises were privatised, the physical loss should be replaced with technical and service skills to create employment, save money that pays for foreign based services.

The branch network can only be maintained if Stanbic Bank makes profit and so government should put programmes that improve the financial soundness of the rural people to keep the branches operational.

Since the driving motive of a private company is profit not public service, it is true that the public welfare is often sacrificed to the demands of profitability. While there is no definitive answer as to the best development model, it is less contentious when essential services, such as water, electricity, health, primary education, and at least a state owned financial institution are place in public sector or at least under Public-Private Partnership (3Ps) but not all to be transferred to the private sector.

The World Bank and IMF are central to policy developments in the privatisation wave in Africa and a large body of research has been conducted regarding the real conditions in developing countries, there is need for these institutions to be considerate in their conditions for loans so that the countries can engage in meaningful development.

6.4 Proposed future research

There is need for more studies and research to be done to find out why privatisation as a reform policy has failed to uplift and deliver to the expectations in developing countries especially Uganda; and to find out where else the benefits from privatisation have made conditions better

Studies need to be done covering more enterprises in Uganda to examine the role of privatisation in the democratisation processes and empowerment of employees.

This is due to the fact that privatisation is still an on-going process and has had a variety of enterprises that have been a success and some a failure where important lessons can be drawn for either recommending reformulation or to be discarded basing on the privatisation records.

The end of this research is just a full stop at the end of a sentence, other sentences and research can begin it.

6.5 Limitations and constraints

Privatisation in general and Uganda Commercial Bank in particular was a controversial issue in Uganda. The government's position in support of privatisation maintained that the country would gain from privatisation while the opposition and the general public accused government for using its position to mortgage the country's long hard earned assets to foreigners and political cronies. Consequently the political and policy implementation disagreements during the final privatisation of Uganda Commercial Bank, made conducting research in Stanbic Bank a bit sensitive politically and institutional sensitivity regarding information about the bank in the face competition with other banks.

There is general lack of good database as mentioned in chapter 2 and besides the nature of banking institutions is such that employees take oath of secrecy, and information considered strategic by the bank is not released. Releasing sensitive bank information readily is not in the culture of banks in Uganda.

Uganda Commercial Bank no longer exists where some of the information would have been got direct from the institution managers and employees.

Communication by word of mouth has its own inaccuracies. Some methodological issues while they were kept in my mind as I conducted the interviews, complete control of them was not easy such as non-verbal communication, detecting information intended to impress or soliciting praise from me, or some degree of doubt as to whether the data I wanted was only intended for academic purposes and not for other reasons that may affect the informant. I may not rule out psychological barrier between the data I was searching and the data itself, for instance memory failure or experiences painful to discuss by respondents could lead to answers like ‘I don’t know, forgotten or avoiding the question, ...’.

Events that occurred some years ago and are not on record or information that was not accessible could have provided important information for the research.

References

Achankeng, Eric (2003). *Globalization, Urbanization and Municipal Solid Waste Management in Africa.* University of Adelaide

African Labour Researchers Network (2002). *Privatisation: African Experience*. Labour Resource and Research Institute (LaRRI) Windhoek, Namibia

ANSA (2007). *Alternative to Neo-Liberalism in Southern Africa: Towards a People-driven Development Agenda.* Harare Zimbabwe

Ariff, M. & T.K. Lyer. (1995). *Privatization, Public Sector Reforms and Development Strategies of Developing Countries.* Asian Journal of Public Administration. Vol. 17, No. 2 pp 322-344

Bhandari k. Amit and Heshmati Almas (2006). *Wage Inequality and Job Insecurity among Permanent and Contract Workers in India: Evidence from Organized Manufacturing Industries.* University of Kalyani and Seoul National University

Bollier, David (2002).Silent Thief: The Private Plunder of Our Common Wealth. Routledge, Great Britain

Booth, Alison L and Jeff, Frank (1999). *Earnings, Productivity, and Performance-Related Pay.* Journal of Labour Economics, vol. 17, No. 3 The University of Chicago.

Boycko Maxim, Shleifer Andrei, Vishny Robert W. (1996). *A Theory of Privatisation*. The Economic Journal, Vol.106, No. 435 pp. 309-319, Blackwell Publishers

Brett, E. A. (1995). *Neutralising the Use of Force in Uganda: The Role of the Military in Politics.* The Journal of Modern African Studies, Vol. 33, No.1, pp 129-152

Brett, E. A. (2005). *Authoritarian Patrimonialism and Economic disorder: The Politics of Crisis and Breakdown in Uganda and Zimbabwe.* London School of Economics

Brownbridge, M. Harvey, C. Fritz, Augustine (1998). *Banking in Africa: The Impact of Financial Sector Reform since Independence.* Currey James Publishers

Brownbridge, M. (1996). *Financial Repression and Financial Reform in Uganda.* United Nations Conference on Trade and Development, Geneva.

Bryman Allan (2004). *Social Research Methods*. 2nd edition

Burgess, R. G. (1985). Introduction; In Burgess R. G. (ed), *Strategies Of Educational Research: Qualitative methods.*

Carter, B. (1997). *Restructuring state employment: Labour and non-labour in the capitalist state. Capital and class* 63: 65-84.

Castree, N. Neil, M. Coe, Ward K. and Samers, M. (2004). *Spaces of Work: Global Capitalism and the Geographies of Labour.* Sage Publications, London.

Chong, Alberto and López-De-Silanes, Florencio (2002). *Privatisation and Labour force Restructuring around the World.* Nota di Lavoro 109.2002

Chowdhury, F. L. (2006). *Corrupt Bureaucracy and Privatization of Tax Enforcemen.* Pathak Samabesh, Dhaka

Clarke, G. Cull, R. Fuchs, M. (2007). *Bank Privatization in Sub-Saharan Africa: The Case of Uganda Commercial Bank.* The World Bank Report WPS4407, Washington D.C.

Conway, Neil and Briner, Rob B. (2005). *Understanding Psychological Contracts at Work: A Critical Evaluation of Theory and Research.* Why do people at work behave the way they do? Oxford University Press

Cook Paul and Kirkpatrick Colin (1988). *Privatisation in Less Developed Countries.* Wheatsheaf, Sussex

Cook, P. and Kirkpatrick C (1995). Privatization *Policy and Performance: International Perspectives.* Prentice Hall

Cook, P. and Kirkpatrick C. (1994). *Assessing the Results of Privatization: A Review of Methodologies and Evidence.* United Nations Conference on Trade and Development, Mimeo

Corpwatch (1999). *Multinationals and the World Trade Organisation W. D. Movement. Berley.* (www.corpwatch.org) Site visited 15/03/2007

Daily Nation Newspaper. 30 October 1989: 11

Ddumba-Ssentamu and Mugume Adam (2001). *The Privatisation Process and its Impact on Society, Structural Adjustment Participatory Review Initiative (SAPRI).* Kampala.

De Janvry, A. & Garrmon (1977). The Dynamics of Rural Poverty in Latin America In Timmons Roberts, J. & A. Hite (Eds) (2000). *From Modernization to Globalization: Perspectives on Development and Social Change.* Blackwell Publishers, Oxford

Dieter Bös (1991). *Privatization: A Theoretical Treatment.* Oxford University Press

Dror, Yehezkel (1974). *Public Policy Making Re-examined*. Transaction Publishers, San Francisco.)

Duffy E. Mary (1987). *Methodological Triangulation: A Vehicle for Merging Quantitative and Qualitative Research Methods*. Journal of Nursing Scholarship, Blackwell Synergy.

Dye, Thomas (1987). *Understanding Public Policy.* Prentice Hall, New Jersey

East African Newspaper, 22nd October 2001; “Let’s not Rush to Privatise;” Business Opinion).

Egesa Kenneth and Obwona Marios (2004). *Financial Direct Investment (FDI) Flows to Sub-Saharan Africa, Economic Policy Research Centre (EPRC*). Makerere University, Kampala

Ellyne M. J. (1995). *The Economic History of Uganda and Progress under the Structural Adjustment Programme*. The Uganda Journal, Kampala

Emmett Bethan (2006). In *The Public Interest: Health, education, and water and sanitation for all.* Oxfam International in association with Water Aid, UK

Engler, Allan (1995). *Apostles of Greed: Capitalism and the Myth of the Individual in the Market.* Fernwood Publishing Pluto Press, London

Flyvbjerg, Bent (2006). *Qualitative Inquiry.* Vol.12, (2):219-245, Sage Publications

Frobel, F. J. Heinrichs & O. Kreye (1980). The New International Division of Labour in the World Economy. In Timmons Roberts, J. & Hite A. (Eds) (2000), *From Modernization to Globalization: Perspectives on Development and Social Change*. Blackwell Publishers, Oxford

Garcia Arnaldo and Martinez Elizabeth (2007). *What is Neoliberalism*, *Corporate watch*

Gause G. F. (1934). *The struggle for existence*. Baltimore, MD: Williams and Wilkins

GBRW and DWE Report (2002). *Evaluation of the Resolution of Uganda Commercial Bank Limited.* An investigation report. Kampala

Graham McFee (1992). *Triangulation in Research: Two Confusions*. Chelsea School,

Graham Thompson and Hirst Paul (1999). Globalization: A necessary Myth? In Possibilities of Governance 2nd Edition, Polity Press.

Grosfeld Irena and Roland Gérard (1996). Defensive and Strategic Restructuring in Central European Enterprises. *Emergo*, *Journal of Transforming Economies and Societies*, 3 (4)

Hall David 2006 at the Global Union Conference, February 2006

Hall David and Bayliss Kate (2000). *Privatisation of water and energy in Africa.* Public Services International Research Unit (PSIRU), UK

Harsch Ernest (2002). *Privatization Shifts Gears in Africa.* Africa Recovery, United Nations.
Harvey David (2003). The New Imperialism Oxford University Press, New York

Herzberg Frederick, Mausner Bernard and Snyderman Barbara Bloch 1993. *The Motivation to Work*, Transaction Publishers. New Jersey

Hilary John (2004). *Profiting from Poverty: Privatisation Consultants*, DFID and Public Services. War on Want, UK

Holloway I. and Wheeler S. (1995), Ethical Issues in Qualitative Nursing Research Nursing Ethics, 2(3), 223-232

Hoogvelt Ankie M. M. (2001). Globalization and the Postcolonial World: The New Political Economy of Development. The Johns Hopkins University Press

Humphrey Clare E. (1992), Privatisation in Bangladesh: Economic Transition in a Poor Country. Wheatsheaf Books, Sussexs.

Jalilian H and Weiss J (1997), *"Bureaucrats, business and economic growth"*, Journal of

Kaplan, B. Maxwell J. (1994), "*Qualitative Research Methods for Evaluating Computer Information Systems in Evaluating Health Care*", Sage, Thousand Oaks, CA

Kayizzi-Mugerwa Steve and Bigsten Arne (1992). *Structural Adjustment in Uganda.* Canadian Journal of Development Studies Vol. XIII No.1 1992

Kerf Michel, Smith Warrick (1996). *Privatizing Africa's Infrastructur*e: Promise *and Challenge.*World Bank Technical Paper No. 337

Kiiza Julius, Asiimwe Godfrey and Kibikyo David (2005). *Understanding Economic and Institutional Reforms in Uganda*. Final Report Submitted to GDN (April 2005) Under the *Understanding Reform Project.* Makerere University, Dept of Political Science & Public Administration, Kampala

Kikeri Sonita (2005). *Privatisation: Trends and Recent Developments.* Policy Research Working Paper 3765. Private sector Development. The World Bank

Kikeri Sunita, John R. Nellis, Mary M. Shirley (1992), Privatization: The Lessons of Experience. World Bank Publications

Kikeri, Sunita and John Nellis (2004). *An Assessment of Privatization.* The World Bank Research Observer, vol. 19 (1): pp. 87-118.

Kim Mood (1997), *Workers in a Lean World: Unions in the International Economy*. Verso, London

Kirkpatrick C. and Parker D. (2003), *Privatisation in Developing Countries: A Review of Evidence and the Political Lessons.* Working Paper Series No. 55, Manchester University

Kisuule, Sanyu Irene (1996), *Performance and Privatisation of Public Enterprises in Uganda: A case of the Uganda Commercial Bank.* Makerere University, Kampala

Kvale Steinar (1996).*Interviews: An Introduction to Qualitative Research Interviewing.* Sage Publications, Thousand Oaks, London.

Lafferty William and Oluf Langhelle (eds) (1999), *Towards Sustainable Development: On the Goals of Development and the Conditions of Sustainability*. Macmillan Press Ltd, London

Lyakurwa M. William (2004). *Privatization Experience in Sub-Saharan Africa: Macroeconomic and Institutional Requirements for Successful Privatization.* Executive Director, African Economic Research Consortium (AERC), Nairobi.

Mabugu Ramos and Chitiga Margret (1999). Minimum Wages and Trade Regimes: CGE Results for Zimbabwe In Kayizzi-Mugerwa, S. (ed) *The African Economy: Policy, Institutions and the Future.* Routledge, London.

Mambo (2006). *Corporate Governance Ethics in Uganda*, vol. 1 no. 5(23), 2006)
Mansoor A. (1988), "The Fiscal Impact of Privatization In Cook P. and Kirkpatrick C. (eds)

Privatization in Less Developed Countries", Sussex: Wheatsheaf and St Martins Press. New York.

Ministry of Finance, Planning and Economic Development (MoFPED) (2004), "Poverty Eradication Action Plan 2004/5 – 2007/8", Kampala

Mood, Kim (1997), Workers in a Lean World: Unions in the international Economy. Verso, London

National Organisation of Trade Unions (NOTU) 2007, A New Simplified Trade Union Guide on Labour Laws, Kampala.

Nellis, John (2005). *Privatisation in Developing Countries: A Summery Assessment.* Egyptian Center for Economic Studies

Obrinsky, Mark (1983). *Profit Theory and Capitalism.* University of Pennsylvania Press

Oxfam International (2006). *In the Public Interest: Health, Education, and Water and Sanitation for All.* Report published September, Oxford University Press, New York.

Parker, David and Kirkpatrick, Colin (2005), *"Privatisation in Developing Countries: A Review of the Evidence and the Policy Lessons"*, Journal of Development Studies, 41:4, 513 — 541A

Patton, M. Quinn (1990). 2nd Edition. *Qualitative Evaluation and Research Methods***.** Sage Publications, London

Pressman, J. Wildavsky A. (1984). *Policy Implimentation.* University of California Press

Roberts Timmons and Hite A. (Eds) (2000), "*From Modernization to Globalization: Perspectives on Development and Social Change".* Blackwell Publishers, Oxford

Rowntree, Joseph (2003). *Monitoring poverty and social exclusion.* Bank of England Quarterly Bulletin

SAPRIN (2004), *Structural Adjustment: The Policy Roots of Economic Crisis, Poverty and Inequality*. Third Word Network A co-publication with Zed Books

Savas E. S. 2000. *Privatization and Public-Private Partnerships.* Chatham House Publishers, New York

Scholte Jan Aart (2000). *Globalization: A critical Introduction.* Macmillan Press, London.

Sharan B. Merriam (2002). *Qualitative Research in Practice: Examples for Discussion and Analysis.* John Wiley & Sons, Inc

Silver David (eds) (1997). *Qualitative Research: Theory Method and Practice.* Sage Publications, London

Stake E. Robert (1995). *The Art of Case Study Research: Perspectives on Practice*, Sage Publication, London.

Stiglitz, E. Joseph (2003). *Globalization and its Discontents.* New York: W. W. Norton c2002.

Stiglitz, E. Joseph and Sergio Godoy (2006). *Growth, Initial Conditions, Law and Speed of Privatization in Transition Countries: 11 Years Later.* Working Paper 11992. National Bureau of Economic Research, Massachusetts

Susan George (1999). *A Short History of Neo-Liberalism: Twenty Years of Elite Economics and Emerging Opportunities for Structural Change.* Presented at the Conference on Economic Sovereignty in a Globalising World, Bangkok, 24-26 March 1999

Uganda Commercial Bank Report – Research Division, September 1995

Uganda SAPs Survey (1995). *Financial Sector Restructuring: Rural Financial Services and Economic Development.* Kampala

Van der Hoeven & Sziraczki Gyorgy (eds) (1997). *Lessons from Privatisation: Labour Issues in Developing and Transitional Countries.* International Labour Organization, Geneva

Vladimir Popov (2000). *Shock Therapy versus Gradualism: The End of the Debate.* Institute of European and Russian Studies (Eurus), Carleton University Canada

Williamson John (2000). What Should the World Bank Think about the Washington Consensus? *The World Bank Research Observer Vol. 15, No. 2, Aug 2000:251)*

World Bank (1998). *Recommendations for Strengthening the Anti-Corruption Program-Uganda. Report Published in December*

Yarrow George and Vickers John (1988). *Privatization: an economic analysis.* Route ledge, London

Yarrow, George K. and Jasinski, Piotr (1996). Privatization: Critical Perspectives on the World Economy. Route ledge, London.

Yergin, D. and Stanislaw, J. (2002). *The Commanding Heights: The Battle for the World Economy.* (An audio CD)

Yin, K. Robert (2003), "Case Study Research: Design and Methods", Sage Publications Inc, UK

Yin, Robert K. (1994), "*Case Study Research: Design and Methods*, second edition", Sage Publications

Tangri, Roger and Mwenda Andrew (2001). *Corruption and Cronyism in Uganda's privatization in the 1990s*. Journal of African Affairs Vol. 100 No. 398 pp. 117-133, London

Parfitt, Trevor W. and Stephen P. Riley (1986). *Africa in the Debt Trap: Which Way Out?* The Journal of Modern African Studies, Vol. 24, No. 3 (Sep.), pp.519 – 527

Uganda SAPs Survey (1995). *Financial Sector Restructuring: Rural Financial Services and Economic Development.* Kampala

Uganda Commercial Bank Report – Research Division, September 1995

APPENDIX I

UNIVERSITY
OF OSLO

To whom it may concern

Department of Sociology
and Human Geography
P. O. Box 1096, Blindern
N-0317 Oslo, Norway

Visiting address:
Eilert Sundts Building, 7th floor
Moltke Moes vei 31

Tel.: +47 22 85 52 57
Fax: +47 22 85 52 53

THE
FACULTY OF
SOCIAL SCIENCES

Your reference:
Our reference:
Archive number:

Oslo, 24 August, 2007

RECOMMENDATION

This is to certify that Mr. Josph Musoke is a master student at the Department of Sociology and Human Geography, University of Oslo, Norway. He is a student in our two-year master program in Development Geography (one year of which is a research thesis).

From the 29th of August Mr. Musoke will be in Uganda to do his fieldwork. During his fieldwork he will collect information by making interviews and look for Data in the Central Bank, and Stanbic Bank. The theme of his research is "Privatization of State Owned Enterprises" and he will look at "financial institutions".

The University of Oslo would greatly appreciate any help he can be given.

Yours sincerely

Stine B. Olsson
Stine Bergman Olsson
Senior Executive Officer

UNIVERSITETET I OSLO
INSTITUTT FOR SOSIOLOGI
OG SAMFUNNSGEOGRAFI
Boks 1096 Blindern, 0317 OSLO

APPENDIX II

UNIVERSITETET
I OSLO

Institutt for sosiologi
og samfunnsgeografi
Postboks 1096, Blindern
0317 Oslo

Besøksadresse:
Eilert Sundts hus, 7 et.
Moltke Moes vei 31

Telefon: +47 22 85 52 57
Telefaks: +47 22 85 52 53

DET
SAMFUNNSVITENSKAPELIGE
FAKULTET

Til den dette måtte angå

Deres referanse:
Vår referanse:
Arkivnummer:

Saksbehandler: Stine Bergman Olsson
Direkte innvalg: 22 85 44 17
E-post: stinebgj@sgeo.uio.no

Oslo, 1. august 2007

VEDR. STUDIET MASTER OF PHILOSOPHY IN DEVELOPMENT GEOGRAPHY

Studiet Master of Philosophy in Development Geography ved Institutt for sosiologi og samfunnsgeografi, Universitetet i Oslo, er et 2-årig studium. Et 2 mnd. feltarbeid inngår i dette studiet.

Masterstudent Mr. Joseph K. Musoke, fødselsnr. 011260 23371, begynte på masterstudiet i Development Geography ved UiO høsten 2006. 29. august reiser han på feltarbeid og blir borte frem til 27.. november. Feltarbeidet vil finne sted i Kampala i Uganda.

Med vennlig hilsen

Stine B. Olsson

Stine Bergman Olsson
Studiekonsulent på samfunnsgeografi
Tlf. 22 85 44 17
E-post: stinebgj@sgeo.uio.no

UNIVERSITETET I OSLO
INSTITUTT FOR SOSIOLOGI
OG SAMFUNNSGEOGRAFI
Boks 1096 Blindern, 0317 OSLO

APPENDIX III

OLAV M. TROVIKSVEI
64 H 0113, 0864 OSLO,
NORWAY

25th September 2007

D/Security
Please grant the bearer access to the Library for a period of ~~three~~ working days effective 15/10/2007.
CC. Ag. Bank Librarian.

THE EXECUTIVE DIRECTOR
RESEARCH FUNCTION
BANK OF UGANDA
P. O. BOX 7120
KAMPALA.

Dear Sir/Madam,

RE: <u>STUDY ON PRIVATISATION OF FINANCIAL INSTITUTIONS</u>

I am a Master Student at the University Of Oslo, Norway and I am here to carry out a study on privatisation of State Owned Financial Institutions from now up to Mid November 2007.

In this study, I want to assess the impact of privatisation on the workers of former Uganda Commercial Bank, now Stanbic Bank. I intend to get data through document analysis, observation and interviewing the workers (employees), their employers, their supervisors and any other resourceful persons in this case.

I am requesting you to introduce me to
a) Stanbic
b) Privatisation Unit; to collect the required data as in the attachment.
I hope my request for data collection in your institution(s) as the regulatory body and permission to carry out this study will be granted.

Yours truly,

Musoke K. Joseph

Tel: 0712331050
E-mail: joekash2@yahoo.com

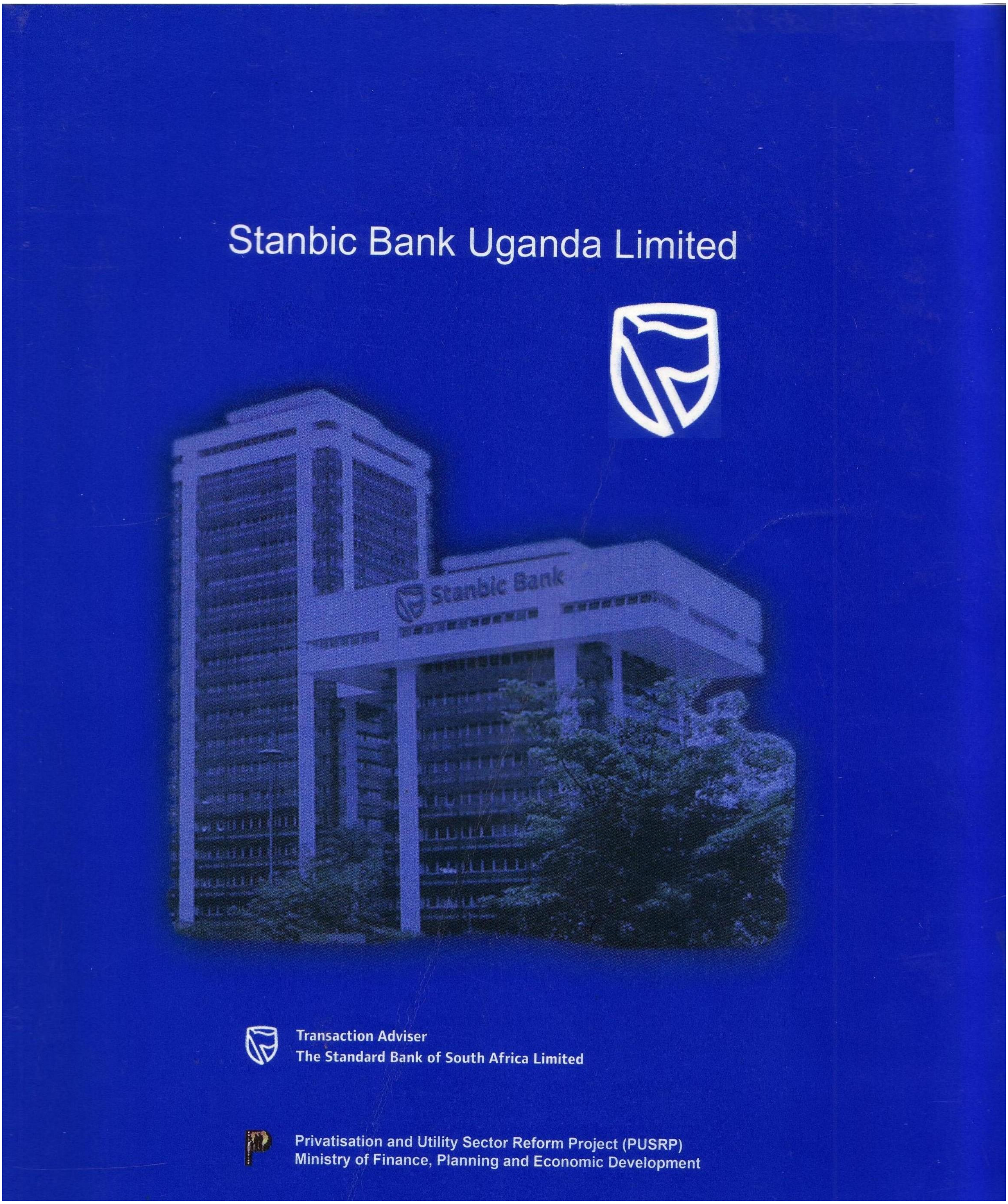
D/Security
Please grant an extension to the student to use the Library for a period of five working days effective 18/10/2007.

NB: Attached is the letter of introduction from the University of Oslo and my research proposal/plan, data elements sought

CC. Ag. Bank Librarian

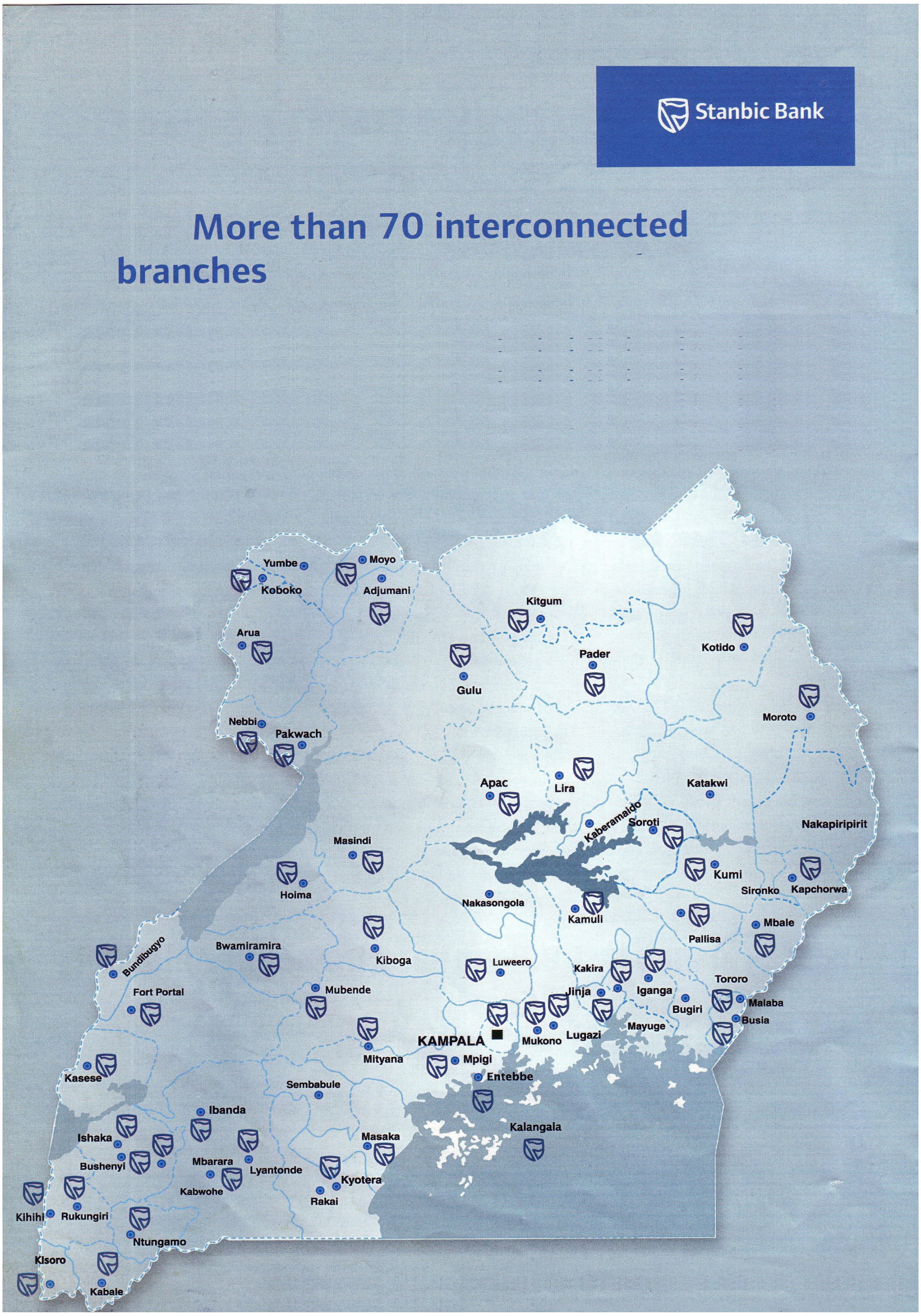
APPENDIX IV

Stanbic Bank Head Office



APPENDIX V

Distribution of Stanbic Bank Branches in Uganda



These and others that were closed were former Branches of Uganda Commercial Bank

APPENDIX VI

INTERVIEW GUIDE

The following questions were used to elicit responses from informants as applicable to the different category interviewed.

How do you find the work in Stanbic bank?
When did you start working in this bank?
When did you stop working in UCB/Stanbic bank?
How can you describe the nature of the work you do?
When do you start and end work?
Why was UCB privatised?
Do you think privatising UCB was a wise idea?
How much did Stanbic pay for UCB?
Do you think UCB was worth what Stanbic paid?
Why did government ask \$19 million and not \$40 million or more?
Who benefited from the privatisation of UCB?
Are you comfortable with your remuneration?
What incentives does Stanbic give to workers?
Who laid-off the workers?
Did you maintain your positions at the branch?
How was the transition from UCB to stanbic handled?
Why was UCB referred to as ' the people’s own bank’?
How many branches did stanbic inherit from UCB?
How many branches does stanbic have now?
How did the privatisation of UCB affect you and your family?
How many workers does stanbic employ?
Do you think workers in UCB and stanbic are comparable?
Did workers expect to be retrenched?
What steps did workers take stop massive retrenchment?
Did workers propose to government to be co-owners of the bank?
What do you comment on the staff of stanbic and UCB?
Were there any riots intended to oppose the retrenchment of workers?

Did the bank compensate the retrenched workers? After how long?

Do workers have any organisation to present their views to the management in this bank?

What was the immediate effect of the retrenchment of the employees?

How is the relationship between workers and the employers?

I believe a lot has changed since stanbic took over, what is your view regarding the changes?

What do you comment on the recruitment of workers in stanbic?

It's believed UCB was at the verge of collapsing at the time of its privatisation, what's your view?

What can you comment on the privatisation of UCB?

How is the workers' welfare catered for in this bank?

You have heard of Trade /workers unions, do you belong to any?

What can you say about working conditions in Stanbic?

Farmers used to get financial assistance such as loans does stanbic extend the same service?

How did the rural farmers' loan scheme by UCB perform?

Did the loans attract interest?

Is there any motivation to make and maintain workers in this bank happy?

What do you think attracts people to stanbic?

What are the challenges of stanbic bank?

What is Stanbic's contribution to the banking sector in Uganda?

What range of products does stanbic offer compared to UCB?

What saving schemes are in place to help workers save while in active service?

What was the criterion for laying-off workers?

Where did the retrenched workers go after leaving the bank?

What can you say about privatisation and stanbic?

About how many workers were retrenched?

What do you comment on the services of Stanbic compared with UCB?

Are clients happy with services in Stanbic?

How do you compare working conditions in UCB and stanbic now?

Are there policies in place to recruit and maintain an employee happy?

What were your expectations in joining the bank and have you realised them?

Are you happy that you are not under stanbic administration?

Did you apply to any other institution for new placement?

What do you think about the future of stanbic?

What is your advice to workers in general and Stanbic in particular?