THE REPUBLIC OF UGANDA

Summary of
Background to the Budget 2001/02

Uganda Poverty Reduction Strategy Paper
Progress Report 2002

March 2002

Ministry of Finance, Planning and Economic Development
P.O. Box 8147
KAMPALA
www.finance.go.ug

Table of Contents

List of Tables, Figures and Text Boxes

List of Tables

List of Figures

List of Text Boxes

Foreward

The main objective of Government is to eradicate poverty. The Poverty Eradication Action Plan (PEAP) is therefore the central planning tool of Government. Every year, Government produces a report to analyse the progress and emerging challenges in implementing the four goals of the PEAP.

This year's report, which is a summary of the Background to the Budget 2002/03, was developed through an intensive process of consultation with civil society and development partners. Key stakeholders have been influential in writing this report – from the identification of the most relevant topics to providing concrete inputs and critique of the text as it moved towards its final form.

Government has attempted to bring in as many views as possible in this Report without compromising its own position. The final result is a Government-owned Report which I believe will go a long way towards informing key stakeholders on Uganda's progress in eliminating poverty during the year 2001.

Minister of Finance, Planning and Economic Development

Acronyms and Abbreviations

AGOA	African Growth and Opportunities Act
AIA	Appropriations in Aid
AIDS	Acquired Immunodeficiency Syndrome
APP	Annual Performance Plans
ARDC	Agricultural Research and Development Centre
AT	Appropriate Technology
ATM	Automatic Teller Machine
BFP	Budget Framework Paper
BTVET	Business, Technical, Vocational Education and Training
CG	Consultative Group
CSO	Civil Society Organisation
DANIDA	Danish International Development Assistance
DEAP	District Environmental Action Plan
DFID	Department for International Development
DPT	Diptheria-tetanus-pertussis
DTS	Development Transfer System
DWD	Directorate Water Development
EF	Economic Functions
EFMPII	Second Economic and Financial Management Project
ELF	Extension Link Farmers
EMIS	Education Management Information System
EMS	Expenditure Management Systems
EU	European Union
FAO	Food and Agricultural Organisation
FDI	Foreign Direct Investment
FIB	Financial Institutions Bill
FMS	Financial Management Systems
FO	Farmer Organisations
FY	Financial Year
GDP	Gross Domestic Product
GOU	Government of Uganda
GPT	Graduated Personal Tax
HC	Health Centre
HIPC	Highly Indebted Poor Country
HIV	Human Immunodeficiency Virus
HSSP	Health Sector Strategic Plan
HURINET	Human Rights Network
ICT	Information and Communications Technology
IDA	International Development Association
IDP	Internally Displaced Person
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFMS	Integrated Financial Management System
IMF	International Monetary Fund
ITM	Insecticide Treated Material
J/LOS	Justice, Law and Order Sector
LADDER	Livelihoods and Diversification Directors Explored by Research
LG	Local Government

LGDP	Local Government Development Programme
LGFC	Local Government Finance Commission
LSSP	Land Sector Strategic Plan
M&E	Monitoring and Evaluation
MAAIF	Ministry of Agriculture and Animal Industries
MFF	Micro Finance Forum
MFI	Micro Finance Institutions
MFPED	Ministry of Finance, Planning and Economic Development
MOD	Ministry of Defence
MOES	Ministry of Education and Sports
MOPS	Ministry of Public Service
MTBF	Medium Term Budget Framework
MTCS	Medium Term Competitive Strategy
MTEF	Medium Term Expenditure Framework
MWLE	Ministry of Water, Lands and Environment
NAADS	National Agricultural Advisory Service
NARO	National Agricultural Research Organisation
NARS	National Agricultural Research System
NEM	NGO Election Monitoring
NEMA	National Environmental Management Authority
NFA	National Forestry Authority Statute
NGO	Non Governmental Organisation
NSSF	National Social Security Fund
NWP	National Wetlands Policy
NWSC	National Water and Sewerage Company
OAG	Office of the Auditor General
PAF	Poverty Action Fund
PEAP	Poverty Eradication Action Plan
PEM	Public Expenditure Management
PHC	Primary Health Care
PMA	Plan for Modernisation of Agriculture
PMES	Poverty Monitoring and Evaluation Strategy
PPET	Post-primary Education Training
PPTS	Pilot Project Transfer System
PRSC	Poverty Reduction Strategy Credit
PRSP	Poverty Reduction Strategy Paper
PSR	Poverty Status Report
RCTB	Reformed Central Government Tender Board
RMSP	Rural Micro Finance Support Programme
ROM	Results Oriented Management
RTS	Recurrent Transfer System
RUWASA	Rural Water Supply and Sanitation
SME	Small and Medium Scale Enterprises
SS	Social Services
SSA	Sub Saharan Africa
SWG	Sector Working Group
TB	Tuberculosis
TDMS	Teacher Development and Management System
TI	Transparency International
UCBL	Uganda Commercial Bank Limited

UDB	Uganda Development Bank
UDES	Uganda Defence Efficiency Study
UDHS	Uganda Demographic Health Survey
UDN	Uganda Debt Network
UEB	Uganda Electricity Board
UGT	Uganda Grain Traders
UN	United Nations
UNDP	United Nations Development Programme
UNEPI	Uganda National Expanded Programme for Immunisation
UNHS	Uganda National Household Survey
UNICEF	United Nations Children’s Fund
UPE	Universal Primary Education
UPPAP	Uganda Participatory Poverty Assessment Project
URA	Uganda Revenue Authority
URC	Uganda Railways Corporation
UShs.	Uganda Shillings
USP	Uganda Seed Project
WSP	Wetlands Action Plans
WSS	Water and Sanitation Services

1. Introduction and Summary of Main Findings

Uganda's Poverty Eradication Action Plan (PEAP) which is the national planning framework guiding medium term sector plans, district plans and the budget process; also serves as Uganda's Poverty Reduction Strategy Paper (PRSP). Every two years, Government prepares the Poverty Status Report (PSR), which is the main policy document outlining progress in reducing poverty in Uganda. The PSR forms the basis for reviewing and if necessary revising the PEAP/PRSP strategies. In addition, annual PRSP Progress Reports are produced, these being summaries of PSRs in those years when they are prepared. In the adjacent years, the PRSP Progress Reports are summaries of the Government's Background to the Budget document.

In preparing the PSR and PRSP Progress Reports, Government engages donors and civil society in a series of consultations. This consultative process has been enhanced during the preparation of this PRSP Progress Report, the second in the series. For each of the four pillars of the PEAP/PRSP a drafting team was constituted, comprising the key stakeholders. Prior to the drafting of this PRSP, a half-day workshop for stakeholders was held to agree on the content of the report, and to agree on shared responsibilities for drafting. A second half-day workshop for the stakeholders was also held to discuss the draft PRSP Progress Report. The final draft of this report was discussed with donors and civil society. This review also gave the opportunity to address cross cutting issues that fall under more than one pillar.

1.1 Main Findings

The PEAP/PRSP has four major pillars:

1. Sustainable economic growth and structural transformation.
2. Ensuring good governance and security.
3. Increasing the ability of the poor to raise their incomes.
4. Improving the quality of the life of the poor.

This PRSP Progress Report informs policy makers on progress in the PEAP/PRSP implementation of each of these pillars during the year 2001, identifying the key challenges and proposed ways forward. The Report highlights some notable achievements in the implementation of Uganda's Poverty Eradication Action Plan, and some causes for policy concern. Government has continued to reallocate public resources to directly poverty-reducing activities, including primary education, health-care and water services. But more needs to be done to strengthen the capacity of the public sector to translate these resources into service delivery that will make a difference to people's lives. This report highlights difficulties in the delivery of important health services and inefficiency in the water sector, where significantly increased funding has led to modest increases in annual outputs. For all sectors the Report emphasizes the continuing challenge of maintaining and even improving the *quality* of service provided, and especially in areas serving poorer communities.

Perhaps the issue of most concern raised in the Progress Report is the persistence of high mortality in Uganda, especially among infants, young children and mothers. The 2000/01 Uganda Demographic and Health Survey (UDHS) has reported little change in the mortality indicators, which is a matter of concern for all sectors, and not simply health. For example, increased educational attainment and improved access to clean water are generally held to reduce infant and child mortality. But this report has focused on three important health interventions: HIV AIDS, immunizations, and medically attended births. There have been significant reductions in the HIV prevalence rate, and this should result in lower mortality levels in the future. But there has been no improvement in vaccination coverage (rather the reverse) and in medically attended births. The Report has reviewed what can be done to energize public action on these interventions. The 2000/01 UDHS also points to the persistence of high fertility in the Ugandan population, despite the increase in contraceptive prevalence. The Report has underscored the role of population policy in Uganda's PEAP, and calls for concerted action to reduce the high rate of population growth.

Government continues to give priority to poverty eradication, and the strategy is now unfolding into action. But these are areas where further progress can and must be made. As mentioned in the previous Progress Report, there has been relatively slower implementation of two pillars—improving governance and actions to raise the incomes of the poor. There have been some important developments under these pillars, but we have yet to see effective implementation and public action on any significant scale. Among the steps that need to be taken is the identification of monitorable indicators for these pillars. The discussion below summarizes the key issues facing each of the pillars in the Government strategy for the eradication of poverty, and the actions that are called for.

Pillar 1: Sustainable Economic Growth and Structural Transformation

Macroeconomic stability has been maintained over the past year (annual inflation was kept below 5 percent), but economic growth performance has picked up only marginally, and remains well below the targeted 7 percent per annum. This underscores the need for continued vigilance in monitoring progress with income poverty reduction. Slow growth combined with weak coffee prices will have an effect on household incomes. The 2002/03 round of the Uganda National Household Survey will be a vital input into investigating further the relationship between growth and poverty reduction over the period 2000-2003. While public expenditures have continued to be poverty focused in terms of sector allocations, Government revenue outturn remains at just 12 percent of GDP. The actions called for to accelerate the pace of economic progress and transformation (strengthening commercial justice, deepening financial intermediation, and building needed infrastructure) continue to be at the core of the strategy. Private sector growth continues to be hampered by the slow progress in utility reforms, provision of commercial justice and poor infrastructure. Key future actions include:

- Monitor income changes and poverty trends using the 1999/2000 and 2002/03 Uganda National Household Surveys.
- Complete studies on interrelationship between external inflows, institutional change, competitiveness and economic growth.
- Encourage strategic exports to mitigate the adverse effects of external shocks—an action that has been initiated.
- Assess ex post public expenditure outcomes, including tracking/benefit incidence analysis and analysis of facility survey data.

- Raise fiscal revenue—complete EPRC led study on tariff revenues.
- Accomplish PRSCII benchmarks: agree with stakeholders on MTEF priorities; integrate donor project financing into MTEF; shift to results oriented management; strengthen monitoring and evaluation.
- In the financial sector, set up credit reference bureau, encourage consolidation in banking sector; maintain positive and stable interest rates.
- Complete study on how Government expenditure can be directed more towards the poorer areas.

Pillar 2: Good governance and security

Enhancing good governance continues to be one of the key pillars in the Government's poverty reduction strategy. Experience shows that peace and stability are essential for growth and improved human welfare. Overall, it is difficult to gauge the level of achievement under this pillar where no performance targets have been set. While the security situation continues to improve in Uganda, the prospects for poverty reduction in the North call for successful implementation of Government's Karamoja disarmament programme. Public service delivery is still constrained by the poor pay of civil servants, which has not been effectively linked to Results Oriented Management (ROM). This is exacerbated by persistent corruption, and the shortage of important skills in public service, such as strategic management, computing and accounting. Reforms to improve service delivery shall be facilitated through the PRSC. The decentralised programme has enhanced service delivery at the grassroots but it is proving to be extremely costly to maintain the many layers of government. Future decentralisation efforts must carefully compare the costs and benefits of the anticipated service delivery. The democratisation process has continued to successfully evolve throughout the country. A lot of effort shall be put into facilitating institutions and mechanisms that enhance the evolution of a lasting democratic system. Key future challenges include:

- Pursue actions to maintain peace in North.
- Bring into law the Leadership Code Bill as prior action to PRSC2.
- Implement public sector pay reform.
- Expand operations of Office of the Auditor General.
- Enlarge MFPED Communications Committee to include line ministries.
- Parliament to consider draft Police Amendment Statute, and other actions to ensure uniform enforcement of law.

Pillar 3: Increasing the ability of the poor to raise their incomes

Some indication of a widening of income disparities after 1997 (detailed in the last Progress Report) underscores the critical need for direct action to help poor people raise their incomes. Given that the poor rely mainly on agriculture and related activities, the Programme for the Modernization of Agriculture (PMA) is the main instrument of this pillar. As stated in the previous report, actions in this pillar have yet to reach the implementation stage, and there is need to advance work on the PMA as a matter of urgency. Analytical work has emphasised the role played by non-farm activities in rural poverty reduction, the importance of access to markets and rural roads, and the key importance of human capital for rural income growth. Actions are beginning to be taken to directly support agriculture. The Non-sectoral Condition Grant (NSCG) is now in its second year of implementation with funds being used primarily for investments with an agricultural result. In addition, an increasing share of the development grant under the Local Government Development Program (LGDP) has been used for productive investments. A performance review of the NSCG is currently underway. The experience with the PMA grant disbursed at the end of FY2000/01, however, showed that release of funds to institutions that have weak participatory planning and budgeting capacities could be counter productive. It is essential that the review of the structures of local governments and the capacity building interventions be completed. Actions to enhance access to productive assets have been confined to assisting farmers in perennial crop re-stocking, and the preparatory work of the Land Sector Strategic Plan (LSSP). Enhancing returns to assets is to be achieved through the implementation of the National Agricultural Advisory Services (NAADS) program, which has begun in the districts. Four agricultural research development centres have also been established to support farmers raise productivity and returns to farming. A major weakness to date in the PMA is the neglect of monitorable indicators. Challenges for the year ahead include:

- Move towards implementation of PMA.
- Review funding and institutional arrangements for agricultural research.
- Implement LSSP, including bringing Amendments to Land Act into law.
- Design monitoring and evaluation system for PMA, based on agreed outcome objectives, actions by Government and outputs in the sector.

Pillar 4: Improving the quality of the life of the poor

An important feature of this Report is the persistence of high infant, child and maternal mortality. Although this is clearly an objective for all sectors, the Report focuses on actions taken in the health sector, highlighting the lack of progress in attended deliveries, and the decline in the Government vaccination program. The abolition of user fees has enhanced access to health services by poor Ugandans, but potential problems of deteriorating service quality are highlighted. However, during 2001/02, the PEAP/PRSP and PRSC targets were achieved (see below). Similar considerations apply to the education sector, where the UPE policy has led to large class sizes and unfavourable pupil-textbook ratios. The PEAP/PRSP targets for education performance indicators were achieved. However, there are concerns of increased absenteeism especially amongst poor children and girls. With the first UPE graduates being expected in 2003, the biggest challenge is to provide adequate post-primary institutions. Gains in water have been consistent with the targets set, but the Report raises the issue of inefficiency in the sector, which needs policy review. The population growth rate is extremely high because of the persistent high fertility rates, resulting from poverty and low contraceptive prevalence. The challenge is to contain this growth as it may frustrate the poverty reduction efforts. Main challenges ahead include:

- Complete analysis of trends in mortality indicators.
- Urgent action to ensure that vaccination programme gets on track and that the share of attended deliveries is increased.
- Review of conditionality of grants to close financing gap following abolition of user charges.

- Undertake empirical assessment of effect of user-charge abolition on quality of health facilities.
- Continue to monitor school quality and drop-outs.
- Examine efficiency in the water and sanitation sector.
- Strengthen population programme, encouraging contraceptive use, child spacing and family size planning.

1.2 Performance Targets

In the last PRSP Progress Report, Government noted that the targets set for many sectors needed to be revised, based on more realistic resource envelopes and careful costings of programmes. Because of this, we report here changes in the key performance indicators over the past two years, along with the revised targets for 2004, as agreed under the PRSC process (Table 1.1). These indicators cover only the first and fourth pillars of the PEAP/PRSP. Clearly there is need to agree also on indicators for governance and actions to raise directly the incomes of the poor. This is discussed below. Overall, actions by Government have maintained progress in implementing the PEAP/PRSP, and Government is on track in achieving the goals it has set. A careful costing of priority poverty programmes will be undertaken with the next revisions of the PEAP/PRSP.

1.3 Monitoring and Evaluation Strategy

To ensure effective implementation of the PEAP/PRSP, a Poverty Monitoring and Evaluation Strategy (PMES) has been designed to provide timely information to policy makers on what really works to reduce poverty and how to achieve this. The PMES is the national monitoring and evaluation framework guiding sectoral management information systems, district Monitoring and Evaluation systems, and the Poverty Reduction support Credit (PRSC) monitoring requirements. The major sources of information for the monitoring strategy, are the various surveys conducted by the Uganda Bureau of statistics which are complemented by qualitative data from the Participatory Poverty Assessments.

An important element of this review is the need to develop outcome and process indicators for governance and raising the incomes of the poor. On the latter, the PMA secretariat has initiated a series of workshops to develop a monitoring strategy and system for the programme. The intention of the workshops will be to define clearly the objectives of the PMA, and the main *outcomes* that are to be achieved. Process indicators would then be defined based on the priority actions considered necessary to achieve these objectives. It is expected that a formal strategy document, defining indicators and data sources, will be available in time for a base line to be defined for the next Poverty Status Report.

Table 1.1 PEAP/PRSP Indicators.

	2000 Outcome	2001 Outcome	2002 PRSC Target	2003 PRSC Target	2004 PRSC Target
Pillar 1:					
Annual real GDP growth	4.5%	5.0%	7%	7%	7%
Annual inflation rate	5.8%	4.5%	5%	5%	5%
Gross reserves (months of imports)	5	4.4	5	5	5
Pillar 4:					
Health					
Outpatient Department Utilisation (OPD) per capita	0.40	0.43	0.43	0.45	0.47
Percentage of approved positions filled by a trained health worker	40%	47%	40%	43%	46%
DPT3 immunisation rates among children less than 1 year old	41%	47%	46%	50%	54%
Deliveries in health units	25%	23%	25%	38%	31%
HIV Prevalence	6.8%	6.1%	6.1%	5.8%	5.4%
Education					
Pupil-teacher ratio	63:1	54.1	54:1	50:1	45:1
Pupil textbook ratio[a/]	6:1	4:1	4:1	-	3:1
Pupil classroom ratio	118	98:1	104:1	92:1	82:1
P7 net enrolment rate[b/]			16%	20%	20%
Rural water					
Safe water coverage	52%	**53%**			60%
New water systems	3,000	2,900	2,900	3,700	3,700
New public, school & institutional sanitation systems	450	1,205	1,205	900	900
Urban water					
Safe water coverage	60%	**62%**			65%
New water connections	3,100	6,300	6,300	7,000	7,000
Of which poor households	900	1,800	1,800	2,100	2,100
New sewerage connections	75	75	70	100	100
Number NWSC staff per 1000 connections	24	13	14	11	10

a/ Textbooks are to be replaced during this period, and so these ratios can be misleading. The current ratio is based on the stock of old textbooks at the schools, whereas the targt set for the future concerns the stock of new textbooks in the schools

b/ Estimates of net enrollment rates will be provided following the results of the 2002 Population Census

Government will undertake an in-depth assessment of the PEAP over the coming year, and publish its findings in the next Poverty Status Report. This will also serve as the 2003 Poverty Progress Report. This review will be based on a comprehensive data set, including:

- The Uganda Demographic and Health Survey (2001)
- The Ugandan National Household Surveys (2000 and 2003)
- The Ugandan Census (2002)
- The second round of the Ugandan Participatory Poverty Assessment Project (including structured surveys linked to UPPAP's sampling frame).

1.4 Guide to the Report

This PRSP Progress Report is organised according to the four pillars of the PEAP/PRSP. Each pillar is reviewed chapter by chapter (chapters 2 through 5), summarizing the main achievements and remaining challenges. New information, particularly the results of the 2001 round of the Uganda Demographic and Health Survey, is also incorporated into this assessment.

2. Sustainable Economic Growth and Structural Transformation

The experience from the 1990s clearly show that economic growth in Uganda translated into substantial poverty reduction. Income poverty fell between 1992 and 2000 from 56% to 35%. In order to sustain high economic growth, Uganda must have an enabling environment within which the private sector can expand. This chapter therefore highlights the progress made during 2001 in terms of sustainable economic growth and structural transformation. It is divided into three sections. Section 2.1 analyses the trends in economic growth and development in the macroeconomic environment. The section deals with overall macroeconomic performance, structural transformation and how to achieve the GDP growth target. Particular emphasis is placed on strategic exports and financial sector reforms. The fiscal sector performance is analysed in Section 2.2. The stagnation in fiscal revenue and the poverty focus of public expenditure are discussed. Finally section 2.3 highlights the challenges and points the way forward.

2.1 Stable Macroeconomic Environment and Economic Growth

2.1.1 Overall macroeconomic performance

Uganda's overall macroeconomic performance over the last decade has been impressive. Macroeconomic stability was achieved and has been maintained, with annual inflation kept below 5 percent for most of the second half of the 1990s. GDP growth has been sustained at an average of over 6 percent per annum. This growth is attributed to the implementation of consistent with medium term macro economic framework ,the pursuit of prudent macroeconomic policies and a wide range of economic and structural reforms as can be seen from the discussions below. Macroeconomic performance in 2000/01 was in line with Government's main objectives of maintaining macroeconomic stability and broad based economic growth. However GDP growth was lower than the targeted 7 percent because the external terms of trade continued to deteriorate due to the steep fall in the international price of coffee and the sharp increase in world oil prices. Nevertheless, real GDP growth of 5 percent was higher than the previous year's 4.5 percent (table 2.1).

Annual headline inflation, which averaged 4.5 percent during the fiscal year, was within the target of 5 percent. Foreign exchange reserves were 4.4 months of imports of goods and non-factor services, which was below the target 5 months. This was due to delays in disbursement of donor budget support caused by inability of government to meet the required initial conditions in a timely manner. These funds are projected to be disbursed in fiscal year 2001/2002. The reserves build up is programmed to reach 5 months of import cover over the medium term.

2.1.2 Sustainable economic growth and structural transformation

As mentioned in the introduction, economic growth over the last seven years has directly translated into reductions in poverty levels. Poverty fell from 56% to 35% between 1992 and 2000. For the country to achieve the objective of reducing poverty to less than 10% by 2017, GDP growth has to be sustained at a growth rate of 7% and above.

Table 2.1 Key Macroeconomic Indicators.

INDICATOR	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
Annual Inflation (%), 1997/98 = 100	0.2	5.8	4.5	5.0	5.0	5.0
National Accounts, % growth rates						
Agriculture	6.8	4.2	4.8	5.2	4.6	4.7
Industry	11.0	3.4	4.9	5.2	10.9	11.8
Services	7.2	5.3	5.2	6.0	5.8	5.7
GDP at factor cost	7.7	4.5	5.0	5.5	6.3	6.5
Real per capita GDP	5.0	1.9	2.6	3.0	3.8	4.1
National accounts, % GDP at factor cost:						
Gross domestic investment	19.3	20.9	21.8	-	-	-
Public investment	6.4	7.2	7.3	-	-	-
Private investment	12.9	13.7	14.5	-	-	-
Gross national savings (including grants)	12.3	11.7	13.2	-	-	-
Balance of payments, % of GDP						
Current account balance, excluding grants	-14.8	-15.5	-16.6	-18.3	-16.9	-16.2
External indicators:						
Debt service/exports (% before HIPC relief)	22.4	21.3	24.2	28.1	30.4	30.0
Debt service/exports (% after HIPC relief)	16.2	12.3	12.3	12.5	13.1	12.3
Debt stock/GDP at factor cost	0.62	0.65	0.68	0.63	0.63	0.64
Reserves in months of imports	4.9	5	4.4	4.7	4.7	4.6
Government finance, % of GDP						
Domestic Revenue	12.4	12.0	11.7	13.0	12.0	13.2
Public Expenditure	18.4	22.1	22.7	25.3	24.3	22.8
Overall deficit excluding grants	-6.0	-10.1	-11.0	-12.3	-11.5	-9.6
External borrowing, net	3.0	3.0	4.0	6.2	5.5	4.9
Domestic borrowing	-1.6	-0.3	-1.0	0.2	-0.1	-0.1

Source: MFPED.

However, GDP growth for the last five years has averaged just over 5%, which is below the PEAP growth target. This has mainly been due to both internal and external shocks. The high dependency on a narrow base of primary export commodities, of which coffee is the most important commodity, exposes the economy to international price fluctuations and other risks. Periodic droughts, pests and diseases also impact negatively on the growth of exports and food production. Although there was a decline in the cash crops sub sector, mainly due to the adverse terms of trade and the coffee wilt disease, the performance of the agricultural sector improved compared with the previous year, growing by 4.8 percent in 2000/01. Good performance was mainly recorded in the food crops sub-sector whose production rebounded following the poor harvest the previous year, the forestry sub-sector and the fish sub-sector, which grew at 4 percent benefiting from the lifting of the ban that had been imposed by the European Union.

Industry and services sectors have had strong growth for several years, with electricity, construction and transport and communication sub-sectors being the major sources of growth. Performance of the industry and services sectors continued to be good in the year 2000/01. However the rates of growth of the two sectors have slowed down in the last two years. The slowdown in the services sector partly due to the slowdown in tourism following insecurity in some tourist destinations, which affected the hotels and restaurants sub-sector while the slowdown in industry reflects the fact that the high growth rates registered in the 1990s were mainly due to rehabilitation of existing capacity and once utilization capacity had improved, fewer new major investments were being made. Sustained future growth therefore requires an increase in new investment.

The pattern of structural transformation in the 1990s has been characterized by the share of agriculture in total output falling—from 51 percent in 1991/92 to 42 percent in 2000/01, while the share of industry rose from 13 to 19 percent and the share of services from 36 to 39 percent. In Uganda's case, structural transformation will involve the modernization of agriculture as well as the growth of industry. While the shares of industry and services are expected to continue rising, transformation will occur within each of these sectors.

Table 2.2 GDP Performance by Sector 1995/96 – 2000/01 (%).

		1995/96	1996/97	1997/98	1998/99	1999/00	2000/01
Agriculture		4.3	1.1	1.9	6.8	4.2	4.8
	Cash crops	22.6	13.9	-2.8	14.3	9.2	-1.1
	Food crops	1.3	-2.0	1.6	7.4	3.9	5.9
	Livestock	9.8	5.7	4.1	3.3	3.6	4.4
	Forestry	4.4	4.4	4.0	5.2	4.7	5.3
	Fishing	2.5	4.5	5.0	0.9	-0.1	4.0
Industry		16.6	11.4	11.5	11.0	3.4	4.9
	Mining and quarrying	35.7	50.2	27.7	5.9	5.0	5.9
	Manufacturing	19.7	13.4	14.4	12.4	1.2	3.9
	Electricity	10.5	10.1	7.0	6.1	7.6	7.0
	Construction	13.4	7.2	7.6	10.4	5.5	5.8
Services		8.6	5.7	6.5	7.2	5.3	5.2
	Wholesale/retail	10.9	2.3	6.3	10.2	2.7	2.8
	Hotel and restaurant	9.4	9.1	4.4	2.7	2.5	4.2
	Transport/communication	11.0	10.6	9.4	7.9	8.3	9.0
	Owner-occupied dwellings	8.0	8.0	7.0	8.0	7.5	7.0
	Community services	6.0	6.3	6.0	4.7	6.4	5.7
GDP growth rates		7.8	4.5	5.4	7.7	4.5	5.0

Source: MFPED

2.1.3 Achieving and sustaining the GDP growth target

To sustain GDP growth rates at 7% and above will require implementation of further structural reforms in order to create an enabling environment for the private sector and for increased private investment. Foreign Direct Investment, which has grown from US $ 60 million in 1993/94 to US $ 227.6 million in 2000/01, needs to increase even further. Cross-country growth studies (Keefer, 2000) and qualitative surveys of private sector perceptions (World Bank, 1994), have identified the major constraints to growth, increased investment and business expansion to include:

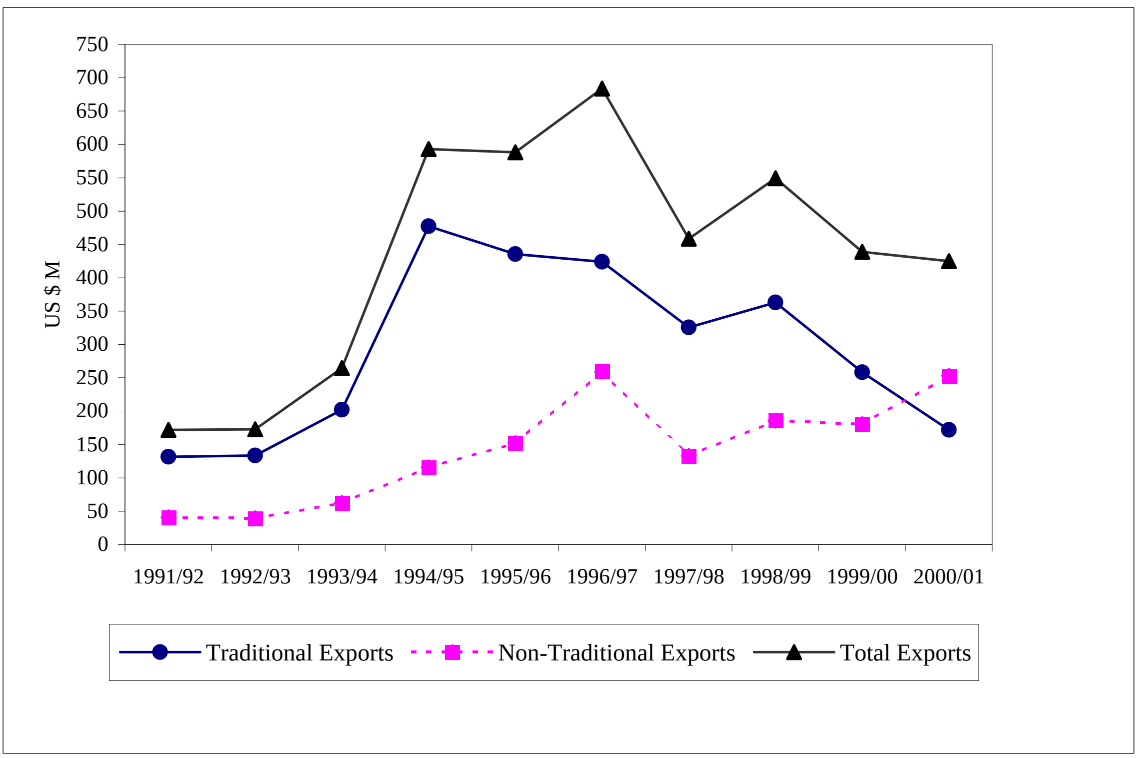
- Cost, access and reliability of infrastructure and utility services
- Weak judicial process and corruption
- Availability and cost of capital; and
- Exogenous shocks and disasters.

To address these and other constraints, Government has designed strategies to eliminate barriers to private sector growth through its Medium Term Competitiveness Strategy for the Private Sector (MTCS) and its Plan for the Modernization of Agriculture, which are aimed at increasing the efficiency of both public and private investments. The strategies also target selected areas of high growth potential, which include, traditional and non-traditional exports development, food agriculture, industry and services.

(a) Strategic exports

Export earnings were rising steadily from 1992/93 but have been declining for most of the period between 1997/98 and 2000/01 mainly due to a reduction in coffee receipts. However, non-traditional exports have been increasing, highlighting their potential as a source of foreign exchange. The value of non-traditional exports increased from US$ 39.4 million in 1992/93 to US$ 253.2 million in 2000/01. In 2000/01 non-traditional export earnings were higher than traditional exports by US$ 81.3 million (Fig 2.1). The ratio of coffee receipts to non-traditional exports has been steadily reducing, signifying a gradual diversification of the export sector.

Figure 2.1 Exports 1991/92 – 2000/01.



Note: Non-Traditional exports refer to commodities that have only featured in Uganda’s export trade over the last ten years.
Source: Bank of Uganda and MFPED

To increase total export earnings, government has tabled a document, which seeks to strengthen activities that encourage strategic exports. This is an important area for Uganda and the government has rightly initiated a dialogue on identifying the priority activities, which will strengthen strategic exports. Commodities that Government has identified as strategic for export based on Uganda's production potential and World market prospects, include coffee, tea, livestock, fish, cotton, horticulture, and Irish potatoes. In addition, Information and Communications Technology (ICT) has been identified as another one worth focusing on. Government is working together with the donor community in identifying the specific interventions and the timing of such activities.

(b) Financial sector reforms

The banking industry has been strengthened in many important respects over the last few years. This has been achieved through the tightening prudential regulations on the banking system, increased frequency of on-site inspections and surveillance and improvement of supervision methodology. New prudential regulations have been introduced to increase the minimum capital requirements for financial institutions. The minimum unimpaired paid up capital requirement for commercial banks was increased to Shs. 2.0 billion in January 2000 and will be raised to Shs. 4.0 billion by January 2003. Credit institutions are required to have a minimum of Shs. 1.0 billion. The enhanced capital is intended to provide a cushion for losses and act as a safeguard to depositors' funds. Most banks have successfully fulfilled these requirements. The enforcement of prudential regulations has also been improved, notably with the closure of insolvent banks in 1998,1999 and 2001, although there have been slippages recently.

A draft Financial Institutions Bill (FIB 2001) aimed at further strengthening the prudential regulations is before Cabinet and will be presented to Parliament in 2002. This statute strengthens licensing and delineates corporate governance requirements for the financial sector, strengthens restrictions on insider lending and large loan exposures, and introduces a requirement for mandatory prompt corrective action to be imposed on distressed banks. This will ensure that banks are prudently managed and that the safety of deposits is not jeopardized through mismanagement and fraud. The proposed law includes provisions on corporate governance, which spell out clearly the duties and stringent management controls for the key players in the risk management process. The eligibility to audit a financial institution will be restricted to accountancy firms on a pre-qualified list, which the central bank will publish.

There has also been an improvement in the financial depth of the economy. As measured by the ratio M2/GDP, financial depth increased from 12.7% in September 2000 to 13.4 in September 2001. In addition, the non-performing assets as a ratio of total outstanding loans have declined from 50% in June 1995 to 8% in September 2001. In an attempt to further increase efficiency and reduce transaction risk in the financial sector, an electronic cheque clearing system has been inaugurated. By the end of fiscal year 2001/02, cheques will be electronically cleared. This new system will reduce the amount of time it takes to clear a cheque from four working days to only two.

Growth in financial savings

Private sector savings in the banking system, although still low, have maintained an upward trend. Total private sector deposits rose from Shs. 1,153.8 billion in September 2000 to Shs. 1,246.7 billion in September 2001, representing and increase as a share of GDP from 13.3 to 13.5. Savings and certificates of deposits rose from Shs. 350.1 billion in September 2000 to Shs. 379.1 billion in September 2001. There has also been a growth in total assets of the banking system from Shs 1,942.7 billion to Shs 2,194 billion, i.e. from 20.7% to 23.8% of GDP. The sector has witnessed a significant increase of transactions in both the domestic money market and foreign exchange markets. A central depository system has been set up in the Bank of Uganda to facilitate and support inter-bank shilling transactions.

The low level of financial savings is partly explained by the substantial amounts of household savings held in the form of real estate and foreign currency assets. Because of limited access to financial services, the asset composition of rural households is to a large extent determined by the economic activities of the area. Savings constitute commodity stocks, livestock and land. This, in turn, is reflected in the magnitude of the non-monetary sector, which contributes to the efficiency loss of the economy. move to pillar 3)

Resolution of UCBL and the restructuring of UDB

Uganda Commercial Bank Ltd (UCBL) has been under the statutory management of the Bank of Uganda since April 1999. The resolution of UCBL is now in advanced stages and the agreement for the sale of the majority stake of the bank to Stanbic was signed on 20th December 2001. Stanbic is a strategic investor with reputable banking credentials and has the financial resources, managerial expertise and international banking reputation necessary for owning and managing a large bank of the size of UCBL. Stanbic will maintain the UCBL nation-wide branch network in areas of the country not served by other banks. This will ensure that UCBL will resume its role as a major player in the Ugandan financial sector. A minority stake will be made available to the Ugandan public through the Stock Exchange, subsequent to the completion of the sale. The restructuring of Uganda Development Bank (UDB) is now complete. UDB is expected to provide medium and long-term finance for the sustainable growth of the economy.

Pension reform

Social Security, pension and provident funds usually represent the most important sources of long-term capital is an economy. Pensions, and in particular defined contribution schemes such as the National Social Security Fund (NSSF) should therefore play an important role in the financial sector basically because they hold long-term liabilities, which can be invested in long-term assets. Unfortunately in Uganda, the pension system has failed to fulfil this role, and therefore undermined the potential for capital accumulation and financial sector deepening. In view of the above benefits of social security and realisation of the weaknesses inherent in the system, the government is preparing a cabinet paper proposing reforms and liberalization of the pension sub-sector in order to allow Ugandans to freely choose their pension service providers. Up until now National Social Security Fund (NSSF) has enjoyed a monopoly over a compulsory defined contributions scheme, and has not been subject to effective governance which has contributed to the highly inadequate pension benefits available to contributors to NSSF upon their retirement. Liberalization, accompanied by effective regulation and governance, is long overdue.

Insurance sub-sector

In the insurance sub-sector more effective supervision/regulation has been undertaken to ensure that insurance companies are financially sound and comply with the insurance statute and that the interests of policyholders are protected. As a result, the licenses of two local companies were revoked for failure to meet the minimum statutory paid-up capital. To further strengthen the sub-sector, necessary amendments in the Insurance Statute, 1996 and the Motor Vehicle Insurance (Third Party Risks) Statute of 1988 have been proposed and are under consideration by the Ministries of Finance and of Justice and Constitutional Affairs.

2.1.4 Infrastructure expansion and utility reform

During the year 2001, Government made progress in the implementation of the reform strategies in the power and rail sectors. Concerning the Uganda Electricity Board (UEB) privatisation, the following activities have been completed:

- financial, legal and environmental due diligence
- inventory and valuation of UEB assets and liabilities
- distribution and transmission investment needs analysis
- drafting of licences, regulations, concessions and power sale agreements
- financial and tariff modelling
- UEB unbundling and
- tariff reform

In addition, the board of the International Finance Corporation (IFC), World Bank has approved loan financing for the AES hydropower project, which will enable construction of the dam to begin in the second half of the year 2001/02. Cabinet approved the reforms and privatisation of Uganda Railways Corporation (URC). These include the enactment of a new railway sector law providing the enabling environment of private sector participation, incorporation of a successor company to URC that will take over the operations and asset management of its activities and the establishment of a railways sector regulator under the relevant line ministry.

In the roads sub-sector, performance of the 10-year main roads programme in the year 2000/01 was largely on target, with about 90 percent of maintenance targets being met.

Planned targets of 17,513 km of routine maintenance and 2,215 km of periodic maintenance under the Districts Roads Programme are expected to be met in 2001/02.

2.2 Fiscal Sector Performance

2.2.1 Revenue performance

To fund PEAP expenditures as well as reduce dependency on foreign aid, improved revenue performance is paramount. The revenue reform effort undertaken in the 1990s was very successful up to 1996/97, with revenue to GDP rising from 7.1 percent in 1991/92 to 12.1 percent in 1996/97. However, revenue performance stagnated thereafter with the revenue to GDP ratio averaging 11.8 percent a year. This is low by the standards of many other Sub-Saharan African countries, taking into account differences in tax rates between countries. The failure of revenue collections as a percentage of GDP to increase significantly after 1996/97 is attributed to the weakening of tax administration, the culture of non-compliance, the reduction of excise duties on petroleum products, beer and soft drinks and the lowering of import duty rates as part of the trade reform program.

To improve revenue performance, Government is focusing on strengthening tax administration to improve efficiency and curb tax evasion as well as devising ways and means of increasing non-tax revenue collections. In line with this objective, a new URA management team was appointed in 2001/02. The Uganda Revenue Authority (URA) will also have to implement internal reforms to strengthen its management as well as build capacity. With IMF and DFID assistance, the government is currently implementing a tax administration reform that focuses on effective computerization, improving professional skills of URA staff, removing corrupt staff and reducing smuggling.

(a) Non-tax revenue

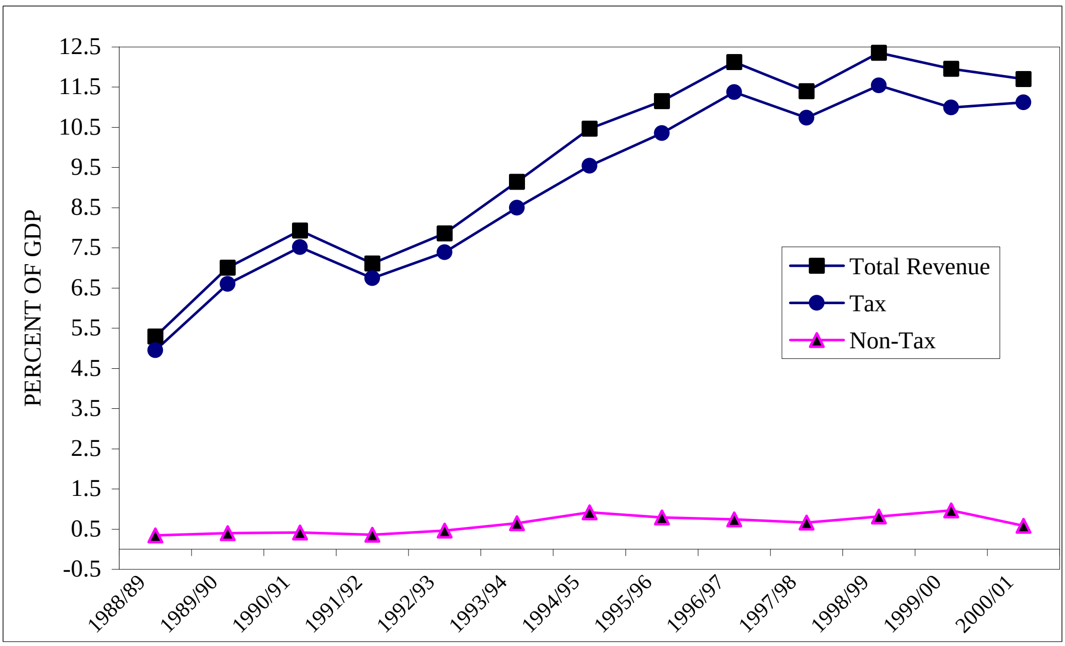
Non-tax revenue collections are currently less than 1 percent of GDP**.** The outturn for 2000/01 against target was around 63 percent. Out of a total expected amount of Shs 86.5 billion only Shs 54.1 billion was collected. The operational constraints resulting in poor non-tax revenue collections include:

- Failure by some ministries to budget adequately for Non-Tax revenue. In cases when they perform better than budget, there is lack of accountability and submissions.
- Lack of enough incentive from collecting institutions for increased non-tax revenue collections.

During fiscal year 2001/02 government has introduced measures to enhance collections with an eleven-point reform program. The objective is to improve the performance of non-tax budget revenue against targets. Some of the measures introduced in the reform program are:

- Abolition of Appropriations-in-Aid (AIA), such that all non-tax revenues are remitted to the consolidated fund and no funds are used at source.
- Publication of non-tax revenue budget estimates.
- Require ministries to budget for revenue collections and make projections of monthly collections. Failure to collect budgeted amounts resulting in deductions from the subsequent month's cash release from the treasury to the particular ministry in question.
- In phases, transfer collections of non-tax revenue to URA in order to minimize leakage of revenue collected.
- Increased internal audit
- Review and systematically update rates and charges, some of which are out of date and have not been revised.

Figure 2.2 Revenue Performance 1988/89-2000/01.



Note: Non-tax revenue includes collections by URA, Dividends and revenues collected by ministries and other government institutions.
Source: MFPED and URA.

Hence the reform measures mainly focus on improving accountability of funds previously collected as appropriation in aid by various government institutions. Initial indications show improved performance. In the first half of 2001/02, collections of "Passport Fees" whose collection was transferred from the Ministry of Internal affairs to the URA, are already more than the annual collections of the last fiscal year by Shs 0.4 billion.

(b) Local government revenue collection

Local government revenue mobilization is vital for improving service delivery in a decentralized system. Although currently this revenue amounts to 10% or less of the total funds available to the local governments, it is undoubtedly clear that the potential for increase is substantial and also within reach if appropriate measures are taken. Graduated Personal Tax (GPT), Property Tax, licenses, market and other fees, rural development charge are examples of the type of taxes collected at local government level. Government has undertaken studies (e.g. Local Government Revenue Enhancement Study) to identify the constraints for local revenue mobilization. Some of the factors which have been highlighted are: lack of staff capacity at LCIII level, lack of technical knowledge, shortage of financial resources to strengthen the local revenue mobilization system, a clearer definition of the purposes of local revenue, political interference at the local government level and the need for monitoring by the Local Government Finance Commission (LGFC) and Ministry of Local Government (MOLG) of revenue performance. Government has also embarked on the preparation of a strategy for financing of local government, which among other things will establish the roles of local revenues, conditional, unconditional and equalization grants.

2.2.2 Poverty focus of the budget

(a) A geographical perspective

It has been projected that Government can reach its poverty target of 10% by 2017 provided that the economy grows by 7% per year and that some redistribution takes place. As mentioned earlier, Uganda's economic growth has fallen short of this target in the last 2-3 years. This has increased the relative importance of redistribution if the 2017 poverty target is to be achieved. Unfortunately, the most recent household survey shows that inequality in Uganda increased between 1997 and 2000. Inequality rose both between the rural and urban areas and importantly, between the different regions. While poverty generally fell substantially between 1997 and 2000 in most of Uganda there was a marked increased in poverty from 60% to 66% in the Northern region.

Table 2.3 Regional Distribution of Local Government Grants by Sector (2001/02 Budget)

Sector / Grant	Shs. bio.	Central	West	East	North
Health	53.54	20%	28%	27%	24%
Education	280.96	24%	29%	26%	21%
Water	22.0	31%	34%	14%	22%
Roads	15.1	24%	27%	27%	21%
Agriculture	4.4	23%	27%	27%	23%
Unconditional	76	29%	26%	24%	21%
LGDP	25	31%	31%	22%	16%
Equalisation	4	7%	33%	18%	43%
Dutch Development	6.9	0%	0%	37%	63%
Other	14.0	-	-	-	-
Total	501.85	25%	27%	26%	22%

Source: MFPED calculations based on 2000/2001 Budget Estimates.

Given the recent trends in economic growth and regional inequality it becomes interesting to analyse the geographical pattern of government expenditure under the

MTEF. Transfers to Local Governments accounted for shs. 501.9 bn or around a quarter of the total budget for the 2001/02 Financial Year. The regional distribution of these transfers is illustrated in table 2.3.

Interestingly, the four regions have a more or less equal share of the national cake, although the Northern region has a lower share than the other regions. However, these numbers should not be evaluated at face value. At least three factors seem to be of importance when comparisons are made between the different regions.

a. **Population size**. Districts with a higher population should be allocated relatively more resources because they carry a higher burden of service delivery.
b. **Geographical area**. It is relatively more costly to provide services to a geographically disbursed, and sometimes, isolated population.
c. **Poverty level**. Poor districts have a lower tax base than rich districts because the economic activity is limited. The ability for local government to raise taxes to fund social service delivery is therefore inadequate.

The relative weights of these three factors is a political choice – one could also consider other criteria. For illustrative purposes the three factors are given the following weights: population (60%), area (20%) and poverty (20%). Under these weights it is possible to develop an example of a poverty sensitive distribution (see table 2.4):

Table 2.4 Example of a Poverty Sensitive Distribution of Local Government Transfers

	Weight	**Central**	**West**	**East**	**North**
1. Population	(60%)	28%	28%	25%	19%
2. Geographical Area	(20%)	19%	25%	14%	42%
3. Poverty (Consumption)	(20%)	13%	19%	22%	46%
Poverty Sensitive Distribution		**23%**	**26%**	**22%**	**29%**

Source: MFPED calculations based on Uganda Bureau of Statistics, *Statistical Abstract 2000,* 2000/2001 Budget Estimates and Appleton S., 2001, *Preliminary Estimates from the UNHS.*

Table 2.4 shows that the Central and the Western regions have a bigger population (28%) than the East (25%) and the North (19%). The Northern region is the biggest in terms of area (42%), followed by the Western, the Central and the Eastern region. Poverty is measured by the total household consumption in the region. The Central region has the biggest share of total household expenditure (39%), followed by the Western region (27%), the Eastern region (23%) and the Northern region (11%). If the poverty criterion is calculated as the inverse consumption share, the North should receive 46%, the East 22%, the West 19% and the Central region 13%.

Given the weights in the example, table y shows that a poverty sensitive distribution would allocate 29% to the Northern region, 26% to the Western region, 23% to the Central region and 22% to the Eastern region. Based on this example it can be concluded that the current distribution of resources could become more poverty sensitive if the allocation to the Northern districts were to be increased.

To increase the understanding of the factors that determine the current geographical distribution of the budget allocation, MFPED commissioned a study[1] that reviewed the allocation formulae of the various Sector Conditional Grants. An important finding of the study was that the traditional formula of allocating 85% according to the size of the district population and 15% according to the geographical area is not poverty focused. Several important grants, such as the LGDP, the unconditional grant, the PMA grant, the NAADS and the Agricultural Extension Grant apply this formula, which allocates 18% more per capita to the 28 better-off districts vis-à-vis the 28 poorest districts.

The issue of geographical inequalities was also raised by the Poverty Eradication Working Group (PEWG) during the year 2001. Judged by the Sector Working Group Budget Framework Papers for the 2002/03 Financial Year, it appears that some SWGs are actively debating the issue and one sector (Health) has already changed their allocation formula to make the allocation of grants more sensitive to the geographical distribution of poverty.

(b) A sectoral perspective

The fundamental challenge of any budget is to ensure that efficient use is made of public resources and its accountability is guaranteed. Government has continued its efforts to make equitable and effective use of public resources. The share of Poverty Action Fund (PAF) spending within the MTEF has risen rapidly from 17 percent in 1997/98 to 29 percent in 2000/01 and finally to 33 percent in the 2001/02 budget. This is substantial progress in terms of poverty orientation of public expenditure. In addition, the deviations between sector budgets and outturns were smaller than in previous years, despite revenue shortfalls. Government has also made progress in making the budget more comprehensive. It has started to integrate donor-funded projects, staffing plans and wage bill of basic service sectors within the MTEF with a view of extending to other sectors over the medium term. It has also taken steps to enhance the results orientation of sector expenditure programs. Most sector programs are predominantly focused on inputs and implementation processes rather than end results of policies, program and projects. The government supported by budget reforms and PRSC is addressing the introduction of output targets into sector expenditure programs. To aid this, the monitoring and evaluation processes are being strengthened. In addition to this the government has taken efforts to streamline fiscal transfers to ensure effective use of public resources for improving decentralized service delivery.

(c) Progress in the budget process

The Budget process has continued to enhance and consolidate the consultative basis of budget preparation and execution. Members of Parliament are increasingly involved in the budget process. The recent Budget Act, Budget Consultative workshops and work within Sector Working Groups (SWGs) are part of the process of making critical choices on expenditure priorities and resource allocation. This process has increased government ability to analyse and evaluate progress in implementing the poverty reduction strategy.

[1] MFPED (2001), *A New Formula for Poverty Eradication - Part 1: Sector Conditional Grants*

A number of issues affecting local governments have been identified through this process. As a result a Fiscal Decentralization process has been initiated as discussed in chapter 3.

(d) Sector Working Groups (SWGs)

The SWGs have become an effective tool in budget preparation since 1997/98. The SWGs have played a pivotal role in ensuring resources allocation is consistent with PEAP strategic priorities. However, as a recent study on this issue indicates of the 15 SWGs only a few have been able to link effectively policies to guide the allocation of resources and in turn to be somewhat successful in linking outputs and outcomes. For instance, health, primary education, main roads and agriculture modernization have prepared properly costed plans through SWGs. In the last cycle Justice Law and Order, district roads and water and sanitation prepared such plans while social development and security have just embarked on such plans. Government has taken measures such that most other sectors through SWGs have begun the process of establishing strategic priorities and then using them for identifying priority activities within the budget ceiling. However, the lack of effective capacity to undertake these tasks needs to be addressed to ensure that SWGs are able to prepare consistent Budget Framework Papers (BFP).

(e) Public information and civil society participation

The process has been enhanced by improvement in access to public information. “The Citizens Guide to the Budget Process” (a popular version of the Budget Process), a summarized version of the 2000/01 Budget, and the Budget Performance report 2000/01 were produced and published to enhance information flow. A new process for reporting and release of funds under the Poverty Action Fund (PAF) that requires releases to be based on submission of annual work plans; quarterly cumulative progress reports; and quarterly budget requests was introduced in 2000/01. This process has registered success and improved accountability. Civil society represented by NGOs, is participating in the monitoring the use of PAF funds.

(f) Sector allocation issues and the challenge of growth

The principal issue is the progress towards modifying the Medium-Term Expenditure Framework (MTEF) so that it is fully based on the long-term objectives of the PEAP. At present, the number of sectors such as education with costed plans is limited. The majority lack a comprehensive sector-wide approach. Depending on the situation this offers unfair advantage or disadvantage to one sector over the other. For instance, the Public Administration sector continues to enjoy a larger share at the expense of other sectors. This sector’s share in the year’s budget outturn was as high as 21.2% and is likely to increase given the unfolding in the sector. Given the importance of this problem, the government has commissioned a consultancy to study and propose reforms to address ths issue. Similarly, expenditure on education and health has consistently been increasing, with 25% and 7% shares respectively, while that of agriculture, roads and other infrastructure has remained at low shares of the budget. Program aid has tended to accelerate in the social services sectors at the expense of production and marketing sectors such as agriculture, energy, centres of excellency for training and research not to mention Civil Service Pay Reform.

Table 2.5 Sectoral Shares of the Government Budget.

	FY 1999/000		FY 2000/01	
Sector	% Share Budget	% Share Outturn	% Share Budget	% Share Outturn
Security	15.3	15.6	13.9	14
Roads and Works	8.3	8.2	9.2	8.6
Agriculture	1.4	1.5	1.6	1.5
Education	26.9	26.3	26.7	24.9
Health	6.5	6.4	7.7	7.3
JLOS	6.9	7.4	6.3	6.5
EF & SS	7.7	6.1	8.8	7.5
Public Administration	19.9	20.8	18.7	21.2
Interest Payments	7.1	7.8	7.1	8.5

Note: Excluding Contingency.
Source: MFPED.

A multiplicity of donor initiatives including accounting standards, disbursement modalities, parallel project implementation structures to those of government and differential salary scales has prevented integrated management of public expenditure and has to a certain extent diverted focus on growth challenges. This has undermined the mechanism by which Government expenditure could have a positive effect on output-income and structural transformation of the economy, which is an important goal of the poverty reduction strategy.

In view of the above issues, Government in September 2001 organized a workshop on Partnership Principles to discuss in greater detail the ways in which challenges of growth and poverty reduction can be addressed through Government and donor partnership arrangement. It has also become apparent that in preparing the budget plans, a situation has often arisen where sectors do not adequately take into account all costs. Cost sector plans do not take into account fully costs, that may be covered by another sector leading to duplication and wastage of resources both human and financial. There is therefore need for sectors to work together to identify areas of synergy if this wastage is to be avoided.

(e) Accountability, efficiency and effectiveness issues

Efficiency in service delivery is one of the prime objectives of any budget. Although the budget execution and reporting is weak as in other sub-Saharan African countries, Uganda has been at the forefront of using tracking studies effectively to identify bottlenecks in resources flow and has taken follow up actions. These studies have enabled greater efficiency in service delivery in health and education where it has been mostly used. There are plans to undertake them in Water and Justice, Law and Order sectors as a way of improving service delivery. The mechanisms to ensure proper accounting of public resources both in terms of inputs and outputs are being gradually built up from the local government level. The challenges in addressing this are also addressed under pillar 2.

One area where there is a need for greater attention is the benefit incidence and value for money studies. Apart from ensuring that limited resources are used for their intended purposes, this also enables greater accountability of budget execution. These issues are of paramount importance in the fight against poverty and sustaining macro economic stability in Uganda.

Financial management

In order to address accountability there have been three recent developments in the financial management area. First, is the commencement of the Fiscal Management Study aimed at establishing an Integrated Financial Management System in Government benefiting from the efficiency of information technology in budget management, accounting and payments systems. Second, the revision of the Public Finance Legislation should lead to enactment by Parliament of the Public Finance and Accountability Bill. One important element of this Bill is tightening of the process governing supplementary expenditures so that all requests for such expenditures shall first be presented to Parliament for approval before money is spent. Third, is the issuing of guidelines to both Ugandan and foreign taxpayers in terms of showing that funds have been spent according to budgets.

Fiscal decentralization

The simplified rationalized transfer system alluded to in section 2.5.2 on the budget process is expected to greatly facilitate proper accounting by local governments, as well as monitoring and evaluating the effectiveness of funds transferred to local governments. Beginning next financial year, this system, if approved by cabinet, shall be piloted in a few districts, before rolling it over to all districts. An effective fiscal decentralization strategy with an appropriate fiscal administrative system is essential for ensuring effective decentralized delivery of services and reporting.

2.3 Challenges and Way Forward

Intermediation of enhanced poverty reducing donor inflows: Uganda is a major recipient of donor funds in the form of grants and loans to finance public investment programs and for budget support. The institutional set-up is such that donor funds are sold to the Bank of Uganda and the local equivalent is credited onto the government account. In line with the PEAP, these funds are devoted to financing the budget and particularly the social sector expenditures. The sterilization of the monetary impact of donor inflows in order to curb inflationary pressures can however lead to volatility in interest and exchange rates, which in turn affects the investment decisions of the private sector. On the advise of the IMF, the Bank of Uganda is currently putting in place a framework for conducting monetary policy in a manner that reduces interest rates and exchange rate volatility. It will remain a challenging task for policy makers to keep inflation at low levels through a mix of mopping up excess liquidity by solely foreign exchange or treasury bills and by limiting the budget deficit, while minimizing the adverse impact on private sector activity. Reducing the fiscal deficit as a percentage of GDP overtime will also help to reduce the strain on monetary policy. At the moment, the public sector is spending mainly for poverty reduction purposes in line with the poverty reduction strategy. However, there is also a great concern over the loss of export sector competitiveness arising from a real exchange rate appreciation. It is important to determine whether the reforms aimed at facilitating private sector growth more than offsets the loss of export sector competitiveness created by intermediating donor inflows in the foreign exchange market and whether the current framework can sustain development in the long run. There is therefore, an urgent need to ensure proper accountability of the enhanced donor poverty reducing resources in order to ensure that the productivity gains associated with these inflows outweigh the costs of intermediating these inflows.

To achieve and sustain GDP growth rates of 7 percent and above, Government will need to ensure the smooth and timely implementation of the Medium Term Competitiveness Strategy for the Private Sector (MTCS) and the Plan for the Modernization of Agriculture.

Improve public expenditure monitoring: Government is taking measures to improve the efficiency of government expenditure. While priority sectors have received increasing expenditure allocations, the inability to review the intensity by which sectors move from one stage to another in implementing their plans poses question of value for money. There is danger of increasing allocations to what was prioritised some time back even when the effectiveness on poverty reduction is not there. Thus, ex-post analysis of budget outputs and outcomes together with benefit incidence of public expenditure and value for money studies should form an integral part of public expenditure monitoring. In addition, the reforms undertaken to improve poverty focus of public expenditure need systematic monitoring and evaluation, which are currently weak.

Revenue Mobilization: The poor performance on domestic revenue mobilization, especially revenue outturns being below planned levels, is leading to widening fiscal deficit and greater reliance on external flows to carry out planned expenditures. Overall, the fiscal deficit excluding grants rose from 11.6 percent of GDP in the FY 1999/00 to 11.7 % in 2000/01 and is further expected to rise to about 12 percent for the FY 2001/02. The policy focus now is to gradually reduce this deficit over the medium term via raising domestic revenues (tax and non-tax) faster than the increase in public expenditure.

The geographical distribution of the budget. Government is committed to increase the poverty sensitivity of local government transfers across the different regions. In practice, that means that over time the allocation to the Northern region should increase at a faster rate than the allocation for other regions. The Ministry of Finance, Planning and Economic Development has initiated a study on how this redistribution can take place over time given the constraints of the legal framework for local government transfers.

Costing of the PEAP: There is need to bridge PEAP costings and the Medium Term Expenditure Framework (MTEF), to ensure that MTEF allocations do reflect the optimal allocations required to achieve PEAP goals. The challenge is to develop a Long Term Expenditure Framework based on PEAP long-term objectives. The proposed ten-year Long Term Expenditure Framework would enable the Government, Parliament, donor partners and civil society to examine and debate the merits of different alternative approaches to prioritisation. These debates would prompt reallocation of resources as well as identification of alternative more cost-effective approaches. In this context government organized a meeting in September 2001 to discuss the Volume 3 of the PEAP on "Partnership Principles" which discusses the challenges in addressing PEAP.

Poverty Reduction Support Credit: To ensure that progress is made in the public expenditure and management systems the PRSC is supporting many of the reform areas, which include:

- Agreeing with stakeholders on strategic allocations in the MTEF and executing budgets consistent with agreed allocations.
- Integrate donors financed projects, staffing plans, and wage bill in sector expenditure programs in the MTEF.
- Publish budget performance reports and move from expenditure reporting to output/outcome reporting and also increase the frequency of the reporting.
- Streamline intergovernmental transfers.
- Enhance results orientation of sector expenditure programs.
- Delineate responsibilities for M&E and streamline and strengthen M&E arrangements of public expenditure.

Domestic revenue mobilization: Taxes from international trade have performed poorly over the last few years, yet they contribute the biggest share of revenue collections. The challenge is to increase the revenue/GDP ratio given the implications of regional and international trade arrangements on revenue mobilization. Government in collaboration with development partners is carrying out a study " Tariff Revenues and Industry Competitiveness under an East African Customs Union" to evaluate the likely impact on revenues and the competitiveness of different firms in Uganda.

Financial sector: While substantial progress has been made in the strengthening the financial sector, several challenges remain. One important challenge in the conduct of monetary policy is the need to improve Commercial banks' response to Central Bank's policy signals. A related challenge is to deal with the problem of high lending rates and wide spreads in interest rates currently obtaining in the financial sector. The solution is for banks to improve on their efficiency so that the spread between deposit rates and lending rates is reduced. The credit reference bureau will also be set up, in line with the provisions of the FIB 2001, to disseminate credit information among financial institutions. The financial sector has also to meet the challenges of globalisation. Mergers and consolidations are likely to be the trend and Government and the Bank of Uganda will encourage those banks that will seek to consolidate in order to strengthen their capital bases. Related to this is the need to attract into our financial system new players of international reputation so as to enhance dissemination of know-how and new technology. The financial sector must also ensure that lending decisions are based on purely commercial criteria. Adverse selection of borrowers (including politically backed borrowers) has led to high levels of non-performing loans as was learnt from the experience of Uganda Commercial Bank and Uganda Development Bank. However, raising domestic savings requires positive and stable interest rates. While avoiding inflation is a fundamental principle expected to ensure that interest rates are largely positive and stable, the inability to build a bank-based financial system with low transaction costs in Uganda continues to hamper the growth of deposits. Public sector savings are also hampered by the absence of prudent provident fund. These are challenges Government and development partners have to jointly devise means to overcome in PRSC II.

3. Good Governance and Security

Improvements in macroeconomic performance may not automatically translate into poverty reduction unless sufficient attention is given to the administrative machinery, fiscal transfer mechanisms, the institutional and legal framework and issues of transparency and accountability in the public sector. It has also been increasingly recognized that economic growth cannot take place in an environment that is insecure. These are the main reasons why Government of Uganda and its development partners are becoming much more interested in governance issues, which are particularly critical in a decentralized framework. When consulted on issues of most immediate concern to them, the poor identified personal security, access to justice and good governance as being of great importance (MFPED, 2000b).

This Chapter therefore focuses on the way Government is addressing governance and security issues that impact on the quality of service delivery. Several reforms and actions have been taken on several fronts to improve service delivery both at central and local government levels. These include payroll and procurement reform, capacity building initiatives, strengthening financial management within the decentralized framework, improving the legal and judicial framework, and ensuring security of person and property. Progress has been noted in some of these areas while other areas require further strengthening. The lack of baseline information and monitorable targets for this particular pillar has not made it any easier to monitor Government performance in this area.

There are still many weaknesses and constraints that limit the achievement of good governance. Weak capacities at district level have resulted in implementation problems that impact negatively on service delivery, particularly in key social sectors. The situation is not made any easier by the severity of resource constraints that limit expansion in the payroll to motivate professionals in the public service. Commercial dispute resolution mechanisms are inefficient, thus constraining private sector development. Human rights observance remains a key challenge to government.

These challenges cannot be handled by government alone. Therefore other players are increasingly being involved in the policy formulation and implementation process. One of the strong allies is civil society which is progressively becoming more involved in policy and programme implementation.

To ease discussion, this chapter is organized in three parts: the first looks at good governance and security from a public-sector perspective; the second focuses on the legal and judicial perspective, while part three concentrates on the political connections between the two.

3.1 The Public Sector Perspective

Government of Uganda (GoU) made significant progress in the early 1990s with reforms to the public service; reducing staff numbers, rationalizing pay, progressing administrative and fiscal decentralization, implementing budgetary and financial management reforms and improving performance management. The reform process slowed in pace at the end of the 1990's, and the level of public-sector employment has again expanded. During 2001, however, some important steps were taken.

3.1.1 Pay reform and payroll management

In 2000, GoU embarked on a programme to design a medium term pay policy. The priority policy objectives that will be pursued in the medium term are circumscribed by the severity of resource constraints, as reflected in the wage bill envelope, and the need to be responsive to the market for scarce managerial, technical and professional skills. Pay levels for middle to senior level professionals in the public sector have fallen relative to private sector equivalents. Serious problems are thus being experienced in retaining people with critical skills, having a negative impact on service delivery.

In this context, the pay reform strategy will, in the *longer* term pursues the following three priority policy targets: (i) Restore and preserve the purchasing power of pay levels for all; (ii) Minimise distortions arising from select pay awards and non-facilitating allowances; and (iii) Achieve market-benchmarked pay targets for managerial, technical and professional cadres.

During 2001 the draft pay policy principles were largely agreed. A cabinet memorandum is being drafted and is scheduled to be submitted by April 2002. The policy will be incrementally introduced from budget year 2002/2003. Government has also taken significant steps to improve payroll management. These have been targeted to the health and education payrolls, where the average time needed to access the payroll has been cut from 7 months to just 30 days. The education pay roll is now fully decentralized and teams from MOPS/MOES are monitoring its management. The health payroll has been re-centralized to allow for a programme of consolidation and rationalization.

3.1.2 Public procurement

The existing public procurement system is not only inadequate and inefficient but also suffers from problems of corruption especially in the tender award process. This is more so due to the weak legal framework and poor law enforcement and monitoring procedures; record keeping is grossly inadequate, skilled manpower is scarce and the institutional set-up weak with limited autonomy. These problems are prevalent both at the central and local government levels. Given the important role that procurement plays in Government operations, it is imperative that these weaknesses in the system are addressed and inconsistencies between the central and local government procedures streamlined.

In February 2001 Government commenced the substantive reform of the procurement system. A Reformed Central Government Tender Board (RCTB) was established with staff and a board. The role of the RCTB is to oversee and assure quality of the procurement process that will be implemented by Procurement Units. Procurement units are being established in some 80 ministries, departments and agencies. Procedures for the functioning of the revised system have been developed and personnel in the procurement entities are receiving training. The ‘bedding’ in of the new procurement system will be a medium term reform objective, and various challenges exist to ensure that the new system provide a more cost/quality effective and transparent procurement system. Critical challenges for the reform process include the passing of new legislation, the training of new procurement cadre and changes to the structure, establishment and working culture of ministries and departments.

3.1.3 Results Oriented Management

The Results Oriented Management (ROM) programme is being implemented across the Uganda public sector to improve efficiency and effectiveness of service delivery. During 2001 the ministry of public service began consolidating its work of the previous years regarding performance management. Ten central ministries and a number of districts produced Annual Performance Plans (APPs) facilitated by the ROM unit in the MOPS (MOPS, 2001). The APPs set out the key outputs that Ministries/Districts aim to achieve over the following year/medium term. The APPs seek to more clearly link resource use to outputs and eventually outcomes and thereby facilitate improved resource allocation and resource use monitoring. This performance management process is being progressively linked to the budget cycle. The guidelines for budget preparation 2002/3 included the linkage of the APPs to the budget framework paper output indicators.

Improving the linkage between policy objectives, performance and resource allocation is an ongoing governmental objective. Although a substantive start has been made so far, many challenges still lay ahead. Key challenges include deepening the linkage between the budget and performance management, and the linkage between this and individual/departmental performance management, strengthening the vertical accountability linkage between performance and constituencies and strengthening in the capacity of government to effectively monitor and disseminate results.

3.1.4 Capacity building initiatives

Over the year 2001 the Government has managed ongoing, and initiated new, capacity building programmes. Included in these are: the ROM initiative and performance management system for civil servants; training in budget preparation in the context of MTEF execution; training related to the decentralization of the development budget; and the LGDP (noted below). The Government also discussed with development partners a comprehensive capacity building program that would support implementation of the PRSP and the accompanying PRSCs. The program would seek to enhance and sustain the capacity and performance of the public service to deliver services effectively and efficiently. The programme, the Capacity and Performance Enhancement Programme, (CAPEP) would seek to support cross-cutting reforms particularly the new phase of the Public Sector Reform Programme presently being designed by the GOU. Under CAPEP, capacity building will be targeted towards both individual organizations and the environment in which they operate.

3.1.5 Decentralization

Uganda embarked on an ambitious programme of decentralisation in the 1990s. The programme was framed in law via the constitution of 1995 and the Local Government Act of 1997. This legal framework facilitates full political and administrative decentralisation with fully empowered local councils in existence by 1997. Units of local government exist at five different levels- LC1 (village level) to LC5 (district level). The most important units of local government are the LC3 and LC5 levels.

The Chairpersons of the LC5 units are directly elected. Concerns have been raised on the poor programme implementation within local governments which seems to be partially a result of the weak linkages in some areas between central and local governments. The devolution of the recurrent budget commenced in 1996 whilst a programme for the devolution of the development budget began in 2000. Fiscal decentralization has, however, been (and still is) characterised by highly hypothecated budget process for local governments.

(a) Fiscal decentralization

Social sector financing has grown rapidly over the past three years as a result of increased resources especially within the Poverty Action Fund (PAF). Some 30% of the national budget is presently executed at the sub national level. The majority of resources transferred to districts are in the form of conditional grants that seek to channel resources to the key PEAP sectoral programme priorities including health, education, roads, water and agriculture. The design of the fiscal transfer mechanisms over the past few years has been rather ad hoc leading to a profusion of different transfer systems and bank accounts that are considered to be not well adapted to the decentralized framework. To date 26 different transfer systems cover the unconditional, conditional and equalization grants. This has raised concerns about the unnecessarily complex administrative arrangements, disincentives to raising local revenue and lack of support for key functional capacity building.

In early 2001 the government considered a proposal to rationalise and improve the policy framework for intergovernmental transfers. A GoU working group was formed led by the MFPED and including key GoU departments and representation for the Donor Decentralisation Sub Group. By the end of the year a draft GoU policy on Fiscal Decentralisation (GOU, 2001a) had been broadly agreed and a draft cabinet memorandum is under discussion. When the policy is approved and implementation is initiated, strengthening capacity of the line ministries and local governments to be able to undertake the assumed responsibilities will be extremely crucial.

During the year the GOU also embarked on a process to ensure that all local governments brought their statutory accounts up to date. Many were 3 and 4 years behind. By the end of 2001 all districts had completed their accounts to 30th June 2000. The Auditor general hopes to have completed an audit on 60% of this backlog by March 2002.

(b) Enhancing district performance and capacity

Under the Constitution and the Local Government Act, the LC5 and sub-county units at LC3 have full responsibility for the provision of most public services. However, in practice, line Ministries still have a great deal of influence over the type and quantity of services delivered locally. This has in turn slowed down the process of capacity enhancement in districts to handle large programmes with massive funds. As a result, implementation problems have risen particularly in the social sectors – health, water and education – which are further discussed in Chapter 5.

One of the most striking recent features of the operation of Ugandan Local Government has been the virtual collapse of the system of local revenue raising with income from the Graduated Tax system dropping in some instances by over fifty percent. This has led to a very heavy dependence on central government conditional grants and on development partner grants. In the medium to long term this situation is unsustainable and anti-developmental.

The Local Government Development Programme, which is the GoU preferred modality for decentralising the development budget, links the transfer of discretionary resources to local governments with their performance against legislatively determined roles and responsibilities. Resources are transferred to support capacity building against identified performance gaps. During 2001, Government has through the LGDP, disbursed funds under the Capacity Building Grant (CBG) and Local Development Grant (LDG) to speed up the decentralization policy implementation through efficient service delivery. LGDP assessment of districts during 2001 showed improved performance on the previous year. The LGDP/DDP have enabled local governments to test the 1997 Local Government Act, the Finance and Accounting Regulations of 1998 and Tender Board Regulations of 2001, which has contributed to the ongoing refinement of laws, regulations and procedures. Substantial design characteristics of the programme have been adopted by the GOU in the draft policy on fiscal decentralisation, which will seek to mainstream the programme over the medium term.

Several guides and reports have been produced to strengthen and streamline the planning and implementation processes within local governments towards the overall goal of poverty reduction. These include a revised Investment Planning Guide for lower local governments and councils, a Communication Framework, and a report on mainstreaming gender into the district framework.

(c) Challenges to enhancing decentralized service delivery

The ambitious programme of decentralisation has seen significant development during 2001 However challenges remain. The key areas where further reform and research are needed over the medium term include:

i) The high costs of maintaining multiple districts and layers of government, this needs to be carefully compared with the benefits of improved service delivery;
ii) The requirement for local government to raise more local taxation without damaging the poor. LGs have a narrow revenue base and are hence under capitalized. The rate of mobilizing local revenue from the traditional sources is dwindling – the challenge is how LGS are to sustain the ever-increasing services in absence of adequate revenue sources.
iii) Related to (ii) is the co-financing required by most donor projects. Without adequate ability to generate local revenue, districts find it extremely difficult to meet their co-financing obligations although they are in dire need of the resulting services.
iv) The need to enhance the vertical accountability of local councils; this involves helping the constituencies to better hold their councillors to account and increasing the effectiveness of councils to carry on government business. Particular attention is needed to support women councillors.

v) The need to improve the planning process both in terms of its linkage with the national budget but also in terms of how well it responds to local needs.

vi) The magnitude of auditing to be carried out by the Office of the Auditor General (OAG) is enormous. Currently the OAG is only able to audit the district level and some town councils; over the coming years, the OAG will need to expand their operations to the sub-county level.

3.1.6 Financial management

Government of Uganda is implementing a number of public expenditure management reforms that seek to strengthen capacities for planning, budgeting, financial management and audit. These are aimed at ensuring efficient and effective use of public resources through increased transparency and accountability; creating enabling conditions for private sector development and improving public expenditure management in general. Actions are being taken along the lines of improving the legal and institutional framework, enhancing capacity within accounting institutions and improving implementation mechanisms both at central and local government level. Currently these areas are generally weak, negatively impacting on service delivery.

(a) The legal framework

A revised Public Finance Bill has been developed during 2001. The draft bill once enacted will replace the current Finance Act of 1964. The new act will codify in law the various reforms that have occurred during the 1990s and create a new post of Accountant General responsible for the whole of the government accounting system. The legislation will also tighten the regulations with regard to the passing of budgetary supplementary. The draft legislation now commands strong support throughout most of government. A cabinet memorandum has been prepared and it is expected that the legislation will be tabled in April 2002. In addition, a Budget Act was passed. This new legislation enhances the role of parliament in the budget process and promotes further transparency.

(b) Strengthening the capacity of government accountants

Within the framework of the Second Economic and Financial Management Project, Government has this year designed a training programme for financial management for Central and Local Governments (GoU and World Bank, 2001). Databases for training records for central and local government accounting and internal audit staff as well as the Office of the Auditor General have been constructed. The programme has been based on a training needs assessment that took place in 2001 covering the accounting cadre in government. It is expected to turn out skilled, qualified and competent cadre to support financial management in public service. MOFPED has recently set up a support team of accounting professionals (five foreign and five local) to support local government accounting and internal audit functions.

(c) Integrated Financial Management System (IFMS)

The GOU has commenced the design of a computerized finance and accounting system that will be based on a standard IFMS software. This is intended to improve public expenditure management systems. Procurement has commenced for the design and installation of the new system in all central ministries and some districts over the next few years. During 2001 the GOU has also sought to reconcile the major government accounts and to regularize material brought forward balances. Much of this work is now complete and the MFPED will take appropriate actions to normalize the government accounts in 2002. Late in the year, GOU published a budget performance report covering the previous financial year. This report clearly demonstrates the strengths and weaknesses in budget execution and provides a solid basis for dialogue on ways to improve budget execution in the future.

At the beginning of 2001 the great majority of districts were between two and four years behind with accounts production and a further year or so behind with audits on those accounts. During the year, the MOLG and the MFPED led a process to up-date district accounts and the audits there on. By December 2001 some 90 % of district accounts up to financial year June 2000 will have been written up and submitted for audit to the auditor general. MOLG and MFPED aim to have 80% of the districts accounts for the year to June 2001 written up by March 2002.

3.1.7 Transparency and accountability

(a) Anti-corruption

Progress on the fight against corruption has been rather slow. There has been very little progress in designated ‘high profile’ corruption cases. Important legislation (IGG Bill, the Leadership Code, Access to Information and Whistleblower) has not been passed, and scandals around procurement and financial management continue to surface in the security sector. Some of the Bills that are yet to be passed may not necessarily address Uganda’s problems due to quality constraints. Uganda has also ‘risen’ from number 11 in 2000 to number 3 by June 2001 in Transparency International’s (TI) ranking of international perceptions of corruption, though the comparability of TI data across time and space is not without methodological difficulties.

Progress has, however, been made in some core areas of government that will reduce the opportunities for corruption. The IGG Statutes Act is now passed and awaits the assent of the President. In addition, the proposed new Leadership Code is one of the strongest in Africa. However the main challenge to issues of corruption, disclosure and prosecution is the question of the will to implement and the enforcement of compliance. To this end, oversight institutions such as the IGG’s office and the Office of the Attorney General are starved of resources, suffer chronic levels of staff attrition and turnover and do not ‘de facto’ experience the levels of independence that they possess on paper. Immediate and urgent attention needs to be given to these areas which will entail a very strong emphasis on implementation and compliance.

A Justice Law and Order sectoral reform programme is being formulated and has substantial Government and donor backing. Recommendations from the public enquiry into the police are being taken forward. Advances have also been made in the field of financial accounts, particularly at district level, and focused tracking studies are indicating that public spending priorities are being met in key sector programmes. New commissions of inquiry have probed the Ministry of Defence purchase of 'junk helicopters' and the exploitation of natural resources in the Congo.

(b) Public information

The Government of Uganda considers provision of public information as a critical component of improving transparency and accountability. Therefore, a number of steps have been undertaken in the recent past to improve the channels of communication between Government and the public on a range of issues ranging from resource allocation and budget performance to policy formulation and implementation. Different kinds of information are passed out for different purposes including awareness raising, education, skills development, empowerment, monitoring and information for action.

Reaching out to the public

As a starting point to developing strategies for disseminating public information in the country, the MFPED finalized its Medium Term Communication Plan (MTCP), which was widely discussed in 2001 by government agencies, civil society and the donor community and is under implementation. A key aim of the Plan is to increase communication and empower the public to demand accountability. A series of publications have been produced and disseminated at national and district levels to meet this objective. These include the *'Citizens Guide to the Budget'*, the *'Citizens Guide to the Budget Process'* and *'A Glance at the Budget'*. The first two publications are simplified versions that are easily read by local people and have been translated into seven major local languages while the later targets policy makers and implementers. Government is committed to producing these documents every year. In addition, since October 2001, the MFPED Minister gives a monthly press conference to update the public on important policy issues in the country.

Other sector ministries (MOH, MOWLE, MAAIF) and institutions (NARO, NAADS, Uganda AIDS Commission) are also in the process of preparing their communication strategies. The PMA communication strategy has just been approved. The Poverty Action Fund (PAF) communication strategy is being finalized. The Strategic Investment Plan for the Justice Law and Order Sector includes a publicity strategy. However, these are being developed independently hence not making efficient use of existing communication strategies and resources. The process of developing Local Government Budget Framework Papers (BFPs) is another avenue through which public information, especially relating to the budget and government policies is disseminated. All sectors, CSOs and districts are involved in BFP workshops where communication is normally emphasized. In the recent past, district information officers and politicians have been involved in the training as a way of building their knowledge base and capacity to disseminate public information.

To increase transparency and accountability, mandatory notices of monthly releases to the various sectors are pinned up in public places such as schools and health facilities.

The system works well particularly in the education sector but less in other sectors probably because there are no punitive measures for those who decide not to comply.

Government has also embarked on a process of making the PEAP more accessible to the public by producing two versions which will be ready for dissemination during 2002: the summarized version and the popular version. The summarized version targets policy makers and implementers at central and local government level including Parliamentarians while the popular version targets the general public. Awareness raising of this key policy framework even at the lowest levels of governance will not only improve transparency in the implementation process but also allow the citizens to contribute to the policy debate from an informed viewpoint.

Challenges

Despite the progress made, a number of challenges remain.

i) So far no impact assessments have been made to assess whether the information disseminated so far is being assimilated and making any difference in the lives of average Ugandans. Feedback loops need to be established.
ii) Several uncoordinated initiatives are going on in different departments of Government to publicize information, many times with the same message. There is thus lack of cost-effectiveness in information dissemination. To address this problem, an attempt has been made to expand the MFPED Communications Committee to include the other sector ministries so that they can maximize information sharing. It has been suggested in the MFPED Plan that a committee of all Government agencies should be formed to coordinate handling and dissemination of public information. This has not been implemented yet.
iii) The Directorate of Information needs to be strengthened to be able to play its mandatory role of empowering citizens to demand greater accountability.
iv) Most of Government efforts to disseminate publications stop at district level, on the assumption that districts will be able to communicate to the lower levels of Government. This has not happened because districts have limited capacity to communicate and this area is not yet given adequate attention since there are no measurable indicators.
v) Most of the laws governing public information use are obsolete and need revamping.

3.2 Legal and Judicial Reform

The Government of Uganda, with support from several development partners, has embarked on a programme to reform the Justice, Law and Order Sector (J/LOS) in order to improve security of person and property, law enforcement and access to justice. The starting point has been the improvement of the institutional framework in order to remove constraints to private sector performance. A number of studies have been conducted to ensure that policy making and implementation processes are evidence-based for enhanced effectiveness.

(a) Access to justice

Access to justice is slowly improving, particularly through the Local Council Courts which are closer to the communities. It is estimated that the close to 4,000 LC Courts countrywide, that are easily accessible, cheap and quicker, are able to handle a minimum of 8,000 cases per week, thus reducing the workload for formal courts and other agencies. On the other hand, agencies with core responsibilities in justice delivery namely the Ministry of Justice, Police, Prisons, the bar, the Judiciary and Legislature, are considered to be less accessible and costly to the poor. This is clearly highlighted by the J/LOS (2001b) PPA where the vast majority of the poor do not take their cases to formal courts because of lack of awareness of procedural and substantive arrangements, the high financial costs, administrative delays, bribery and language barriers.

Table 3.l. Representation in the Justice Delivery Agencies by Sex (2001).

Agency	Women (%)	Men (%)
1. State Attorneys in DPP	25	75
2. State Prosecutors	28	78
3. Police Force	10	90
4. Judges	25	75
5. Magistrates	35	65
6. Legislature	25	75

Source: J/LOS (2001a).

Recent evidence from the Gender and Access to Justice study (J/LOS, 2001a) indicates that it is still difficult for women to access justice because the majority of officers responsible for administration and law enforcement are male. The police force, for instance, which is the first point of contact for users of the justice delivery system, is 90% male dominated (Table 3.1). Of course sex category is not necessarily synonymous with gender sensitivity, but some of the issues that women wish to be addressed in the justice system, such as child abuse, domestic violence and property rights, are best appreciated by fellow women in their gendered positions.

Even in the less formal channels of accessing justice, such as the Uganda Human Rights Commission, women are not faring any better. For instance, of the 1,188 complaints received and handled by UHRC during 2000, about 10% were lodged by women and the rest by men and these were mainly from the urban areas (UHRC, 2001). Some agencies are already taking significant steps to improve gender representation. The establishment of specific Family and children's courts in the Judiciary and a Child and Family Protection Unit in the Police Force are positive steps towards improving access to justice by women and children. The proposed Amendment Bill (2000) to the Resistance Councils and Committees – Judicial Powers Statute – provides for more gender balanced and responsive courts. CSOs have mainly contributed to improving access to justice by facilitating users to access the formal justice system. They have also contributed significantly to educating the public about their rights. The major challenge relates to strengthening inter agency collaboration.

Commercial justice is seen as critical in improving investor perceptions of Uganda, and accelerating the pace of economic growth. It is evident from the Commercial

Justice Baseline Survey (GOU, 2001b) that there is significant need for efficient and effective commercial dispute resolution mechanisms – nearly half of the 369 businesses questioned have had a serious commercial dispute over the last 3 years, of which almost 90% had sought dispute resolution in a court or official forum. Over 70% of the businesses perceive the commercial justice system to be expensive, slow and corrupt (J/LOS, 2001a). These problems eat into the businesses profits and limits expansion. Table 3.2 provides the private sector's perceptions on the functioning of the 4 most commonly used commercial justice institutions.

Table 3.2. Private sector perceptions of the commercial justice institutions.

Attribute	Magistrates Courts	Commercial Court	Land Registry	Companies Registry
Accessible	77%	48%	64%	66%
Corrupt	69%	27%	64%	62%
Fair and respectful	12%	18%	9%	17%
Accurate	20%	25%	14%	25%
Provide speedy service	11%	19%	10%	25%
Professional	36%	30%	26%	47%

Note: Share of each business agreeing to presence of attribute.
Source: J/LOS (2001a).

It is evident from the findings that the parts of the commercial system that are perceived by users as performing badly are those that are most heavily used by businesses. While the Land Registry and Magistrates Courts are generally accessible to businesses, the level of service delivery is considered to be poor and they are perceived to be the most corrupt institutions in the justice system. The weaknesses particularly in the Land Registry, which plays a pivotal role in improving the asset base of the poor, need to be urgently addressed. In comparison, the Companies Registry where newly formed companies are registered and information provided is considered to be accurate like the commercial court providing accurate, professional and a speed service. Implementation of the Commercial Justice Reform Programme in 2002 will address some of these weaknesses in the justice system.

Efforts are also being made to strengthen the commercial division of the High Court in order to expedite collateral attachment and disposal, and increase the pace of settlement of commercial disputes generally.

(b) Improving the institutional framework

As part of the on-going reform programme, the J/LOS has completed a five-year Strategic Investment Plan that was launched at the end of 2001. This policy strategy aims at a regulatory and administrative environment characterised by efficient and accountable institutions that further the effective implementation of Uganda's Private Sector Competitiveness Strategy. Baseline surveys are to serve as the monitoring and evaluation tools for the reform programme. The Commercial Justice Baseline Survey has just been completed and provides an evidence base for refining the programme. The Criminal Justice Baseline Survey, which began in 2001 and is scheduled for completion early in 2002. The Sector has also completed a study on Gender and Access to Justice the output of which is a logical framework for mainstreaming gender issues into the sector reform strategy. In addition, a Poverty Safety, Security and Access to Justice Participatory Assessment study was also completed. The key output of the poverty PPA is to refine and validate the strategic investment plan through a survey of the needs expressed by the poor regarding the administration of justice.

The Justice Law and Order Sector has made remarkable progress in adopting the sectoral approach across board. Institutions in the sector have embraced a holistic approach to the administration of justice and are progressively minimizing institutional rivalries for limited resources. The Justice Law and Order Sector has also developed a draft Civil Society Partnership strategy which is aimed at achieving sector policy objectives through rationalised service delivery by those NGO's and CSO's engaged in delivery "legal" services. This pragmatic approach is in light of the limited human resource capacity within the Justice Law and Order institutions and the extensive experience that such organizations have garnered over the years. The partnership shall focus on developing human rights and civic education programmes, and a national legal aid service for the poor.

(c) Challenges

The key challenges faced by the Justice, Law and Order Sector include the inadequacy of financial and human resources and the multiplicity of institutions. Translating the above mentioned studies and surveys into concrete programmes and activities will require disciplined programme monitoring and evaluation. Sector institutions have undertaken to establish effective policy and planning units to facilitate the process. In addition, the historically low budgetary allocation to the sector institutions means that the strategic investment plan may be difficult to implement given the high costs of implementation.

Secondly, while decentralization is considered to be beneficial for the economy and the poor, experiences in the J/LOS show otherwise. The current local government police and prisons deliver less than optimum services due to limited financial resources and low human resource capacity. The result is an uneven application of the law and administration of justice in different parts of the country. A policy decision has been taken by the Uganda Prison Service and the Uganda Police Force to centralize services, and instead focus on de-concentration of service delivery. This means that while services shall be brought closer to the poor, they are to be governed by a central authority. The draft Police Amendment Statute, and the draft Prisons Amendment Bill shall be considered by Parliament during the current session.

Finally, the sector is comprised of two ministries and a total of ten institutions. Thus coordination and cooperation amongst sector institutions is a challenge that in some instances may slow down the process of reform. The multiplicity of institutions also affects the policy- making process, which requires technical, policy and political support. The sector's challenge will be to "institutionalise" the sector-wide approach to district level and beyond.

3.3 Political Connections between the Public and Legal Sectors

In recent years, there has been recognition in Uganda that a democratic system of Government is the best framework to ensure lasting solutions to the political, economic and social problems that the country faces. Ensuring security of persons and property, and guaranteeing democracy and human rights creates an enabling environment for good governance and economic growth.

3.3.1 Security

Significant progress has been made towards improving the security situation in the country. While a number of constraints remain, a number of reforms have been undertaken to enhance the operational efficiency of the various security agencies and Government as a whole.

(a) Status

As a result of Government interventions, peace is being restored in the North and Western parts of the country that have for the last few years been affected by rebel activity. Urban terrorism that cropped up in the course of the year has also been combated. Government is now faced with the major challenge of controlling cattle rustling in Karamoja and the neighbouring districts. Cattle rustling is a means of accumulating wealth that involves armed theft of cattle among the Karamojong or across tribes in neighbouring districts leading to loss of life and property. Among the most affected are children, women, elders, youth and non-pastoralists. Children are abducted and denied rights to enjoy good early childhood development in terms of basic education, access to health and good nutrition. Cattle rustling has left a legacy of widows who lack means to adequately care for the many dependents (MFPED, 2002a).

In 2001, GOU has made renewed efforts through the Karamoja Operation (formerly called the Disarmament Programme) that was commenced in 2000 to improve security in these areas. A substantial number of guns have been recovered from the Karamojong warriors through sensitisation and continuous dialogue between Government and the local leaders. At the same time, the Karamojong have been given inputs like the ox-plough to improve farming. Some alleged cattle rustlers have been arrested and the Directorate of Public Prosecution is to seek trials in the newly established magistrate’s court. This signals the GOU’s commitment to law and order even in regions that have historically been marginalized.

Uganda’s involvement in the Democratic Republic of Congo war is slowly subsiding, although huge amounts of resources, which could have made an improvement in service delivery, have been committed to resolving the conflict over the past four years. It is critical that Government raises the achievement of peace to the top of the foreign relation agenda in order to promote economic prosperity in the region.

(b) Enhancing institutional performance

In order to enhance the operational capacity of the forces and security agencies, Government has initiated a computerization process in 2000/2001. By the close of

2001, the External Security Organization (ESO) had achieved 95 percent computerisation, while the Ministry of Defence and Internal Security Organisation has reached varying stages of implementation. The Programme entails re-documentation of the whole Security Agencies and automation of their records and payment systems.

As part of the reform programme to professionalise the army, a review process has planned to prioritize and implement the recommendations from the Uganda Defence Efficiency Study (UDES) that was carried out in 1997 and adopted by Government during 2000/2001. As a follow-up to the recommendations, the Ministry of Defence has implemented the payment of soldiers' salaries through banks countrywide for specified categories of the force. Until recently, the salaries for soldiers where paid in cash at the Defence units which led to massive losses in funds. Payment by cheque through banks has corrected this anomaly. It is expected that all categories of the force will be gradually covered. Efforts have also been undertaken during 2001 to strengthen procurement procedures and award of tenders within the security agencies. In particular, members of the Military Tender Board have undergone the necessary training to improve their effectiveness.

(c) Challenges

The following are key areas for future action to improve security in the country:

i) Uganda lacks a defined national security policy, which could help in prioritising actions and public expenditure.
ii) Inter-sectoral coordination is weak in the security sector.
iii) Lack of enabling laws to effectively fight terrorism.
iv) Disarmament will require strong inter-sectoral linkages between the major sectors and implementing agencies to improve the livelihood patterns of the Karamojong.

3.3.2 Democratization and the Observance of Human Rights

Uganda is a signatory to most of the international human rights conventions. Human rights are also guaranteed to all citizens of Uganda by the 1995 Constitution. The Uganda Human Rights Commission is one of the primary institutions with Constitutional oversight in the crucial area of human rights observance. NGOs also play a key role in this area. With peace and security prevailing in most parts of the country, GOU has taken steps to improve human rights observance, the rule of law and governance. This is in the context of democratisation of the country. Major events that have impacted on or influenced democracy and the human rights situation in the country within the year include presidential and parliamentary elections, constitutional review process, continuing conflict in some parts of the country, Uganda's involvement in the Democratic Republic of Congo (DRC), disarmament of the Karimojong, and poor socio-economic conditions in some areas (HURINET, 2001a). Poor and vulnerable groups such as women, children and the disabled, are usually the most affected by human rights abuse.

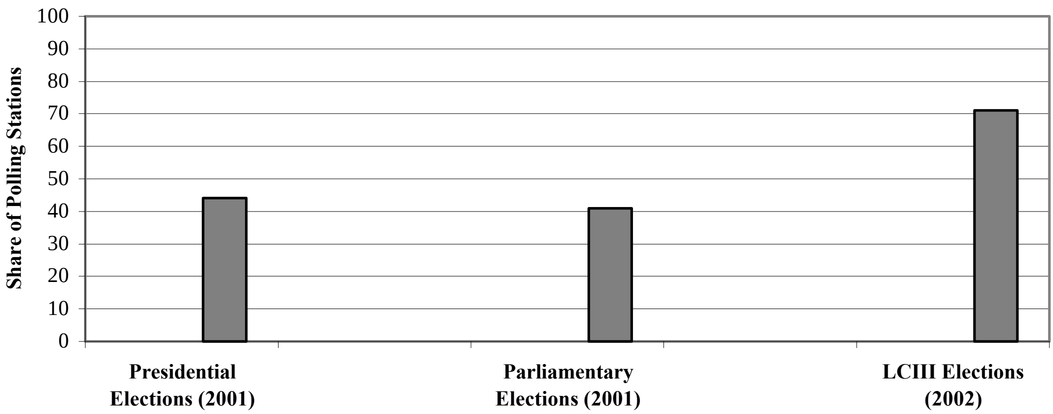
(a) Electoral process

During 2001, Presidential and Parliamentary elections were held throughout Uganda. Local elections also took place at LC1 and LC2 level, with the remaining local elections scheduled for the first months of 2002.

Presidential, Parliamentary and Local election processes were comprehensively monitored by the NGO Election Monitoring Group (NEMGROUP-U) of Ugandan civil society organizations. The Group noted a range of irregularities and malpractices in the election processes. Key among these were the lack of civic education among the electorate, late initiation and poor enforcement of electoral laws, undue interference by key Government institutions, election violence and the long election cycle that constrains production and revenue generation.

Serious concerns were also voiced around the deployment and conduct of security forces in political 'hot spots', the lack of clarity on the rules governing the conduct of elections under the 'Movement' political system, and around the quality of the process for managing and updating the electoral register. The late opening of polling stations due to late delivery of election materials had a negative impact on voter turn-up and participation. Figure 3.1 indicates deterioration in election conduct for lower level polls, 71 percent of polling stations at sub-county level opening late in the 25 sampled districts (NEMGROUP-U, 2001). Some of these weaknesses in the electoral process can be traced to the inadequate financing and professionalism within the Electoral Commission.

Figure 3.1 Share of Polling Stations Opening Late



Source: Nemgroup (U) (2001).

International observers deployed for the presidential and parliamentary elections concurred broadly with the judgments of the NEM Group. Monitors and observers agreed that irregularities were not sufficient to affect the outcome of the Presidential elections, nor of a large majority of parliamentary polls. A number of disputes arising from the parliamentary elections continue to be addressed, however, through the courts. Perhaps the one of the significant challenge to the various elections was from the Presidential runner-up who petitioned the Supreme Court to annul the results of the Presidential Elections. The petition was defeated, with three out of five judges rejecting the runner-up's allegations of widespread fraud and intimidation.

(b) Constitutional review process

As part of the democratisation process, the GOU in February 2001 set up a Constitutional Review Commission with the mandate to review and assess specific provisions of the Constitution, for consistency and relevance in the current policy, political and economic context. This was to be done through a public inquiry running for a period of 18 months from the start date. The rationale for this process lies in the fact that, since the promulgation of the Constitution in 1995, many issues remained unresolved and have continued to be the subject of debate update. Some are extremely controversial and are believed by some parts of the population to curtail rights and freedoms to some extent. Issues that are to be resolved in the review include the choice of political/governance system, separation of power between the executive, legislature and judiciary, functioning of the electoral process, land related aspects, citizenship, abolishment/retention of the death penalty and separation of responsibilities for the various Commissions (GOU, 2001c).

To enable popular participation, the Commission began its work by sensitising the masses about this exercise through both electronic and mass media in the major local languages. Generally, the process was highly welcomed although there have been instances of mistrust particularly from opposition which questioned the timing of this exercise (the Commission was set up during the 2001 Presidential elections) and the fact that it was not appointed by Parliament. Nonetheless, the constitutional review process is seen as worthwhile for good governance as it would enhance political stability which is necessary for future development.

Recognizing that the most disadvantaged and poor people may be unable to participate in the democratic process due to limited access to information and geographical isolation, the Commission has planned to decentralise its activities by collecting people's views at district level. Unfortunately, work has not progressed as planned due to financial and human resource constraints that have almost paralysed the whole exercise. So far, the Commission has only managed to cover one district Kampala and has received memoranda from a few institutions and citizens in the country and abroad. If funds are not forthcoming, it is likely that the work of the Commission might wind up prematurely without output or it may take several years to complete. It is essential that this process moves forward fast enough so that the final agreed provisions are the basis of civic education in the period intervening the next set of elections.

Following up on this issue, it seems that meaningful dialogue is seriously constrained by lack of civic education among the populace on civil, political and socio-economic rights and choices. The challenge is whether Ugandans will be able to take advantage of the opportunities for participation which will depend largely on intensive civic education; the onus is on legislators and the executive to also take the resulting views seriously.

(c) Conflict situations

As a result of internal conflict over the past 15 years, about 600,000 people are now estimated to be living in protected camps in Uganda. Larger camps in Northern Uganda house between 20,000 to 40,000 people while smaller camps hold between 5000 to 15,000 people (HURINET, 2001a). These camps are characterized by a high incidence of poverty arising from overcrowding in poor housing facilities, inadequate health, education and water facilities, malnutrition and food insecurity due to insufficient food production and supplies, a growing incidence of moral decadence and family disintegration, and environmental degradation arising from over-use of land. Most of the internally displaced persons (IDPs), especially the children and elderly, are psychologically traumatized (MFPED, 2002a).

Government has formed a partnership with CSOs and relief agencies to address this problem. Given that this is not a sustainable approach, GOU needs to quickly come up with a clear strategy of how deal with the situation of the IDPs. The medium- to long-term direction should aim at resettling these people in their home villages.

Within the umbrella of the Amnesty Law, former rebels have surrendered to Government and most are undergoing rehabilitation. For example between May and August 2001, 326 captives of rebels operating in Western Uganda surrendered to the UPDF and have already undergone psychosocial orientation and shall soon be integrated in the resettlement programme (HURINET, 2001b). The major challenge in this process is the Amnesty Commission's inability to resettle and provide the necessary rehabilitation packages to the returnees due to resource constraints. Government is trying to identify possible sources of funding to facilitate this process.

3.3.3 Government-Civil Society Partnership

The PRSP identifies two main roles for civil society: service deliverers and monitors of government programmes. A recent study on the involvement of civil society in policy dialogue and advocacy (Lister and Nyamugasira, 2001) concludes that representatives of civil society have had seats at the table in both broad cross-sectoral processes, such as the PEAP and PMA and in sectoral planning involving sector working groups that feed into the MTEF and annual budget. A consortium of CSOs under the NGO Forum, have led the process of reviewing macroeconomic policies within the framework of the Structural Adjustment Participatory Review Initiative (SAPRI) that generated recommendations for changes in economic adjustment programmes and policy making processes.

The shift towards sector-wide approaches and budget support is also providing opportunities for CSOs to be sub-contracted as service deliverers by districts, particularly where they have proven comparative advantage. CSOs are prominent in health, water and education services. It is now widely agreed that the PEAP/PRSP process constitutes a breakthrough in relations between civil society organizations (CSOs) and parts of government. The synergy is greater when involvement in service delivery is linked to participation in policy formulation. CSOs, particularly those with greater capacities in districts have influenced the formulation, implementation and monitoring of district policies and plans. This is particularly so in Northern Uganda where the challenging conflict situation necessitates closer collaboration between Government agencies and civil society.

Some outputs/outcomes can now be attributed to the presence of CSOs in the policy loop. As examples, the development of good practices and procedures in juvenile justice by groups such as SCF UK has considerably improved the number of children on remand and servicing custodial sentences, enabling the relevant Government departments of police, justice, prisons and probation to work in a more coordinated fashion. Participation in the PMA policy process has also led to greater emphasis on small farmers, affordable irrigation schemes and internally displaced persons. Save the Children UK in Uganda has been working with the Ministries of Health, Education an Sports, Gender, Labour and Social Development to develop paediatric counselling and care guidelines and handbooks which are making health care workers, parents and guardians more effective at handling disabled children. Policy advocacy is mainly done by CSOs.

This partnership still faces a number of challenges. Many CSOs, particularly at national level, wrestle with the tension between increased participation in policy formulation and implementation, and issues of independence and autonomy from Government. There are also reports of corrupt tendencies when district officials request for commissions to award tenders, seriously compromising CSOs. Government's response has been to allow donors to fund CSOs directly, as long as such direct support is reflected in the official national statistics. While NGOs in principle appreciate Government's need for monitoring their operations, they have expressed unease on the passing of the NGO Registration (Amendment) Bill in its current form, which is viewed as over-restrictive (HURINET, 2001a). Recognising that the 1989 NGO Registration Statute was out of date, NGOs/CBOs initiated a consultative process to collect proposals for law reform and NGO policy review. Whilst the Bill that was tabled to Parliament during 2001 incorporated some of the proposals, NGOs still believe that there is room for improvement in this policy strategy to avoid constrain NGO activity through stringent regulations and procedures.

4. Increasing the Incomes of the Poor

The third pillar of the PEAP sets out a series of actions aimed at directly increasing the ability of poor to raise their incomes. These are considered as complementing the actions Government is taking to enhance growth, improve governance, and enhance the quality of life of the poor. The vast majority of poor Ugandans live in rural areas, and are mainly self-employed in farm and non-farm activities. Because of this, the PEAP emphasized the implementation of the Plan for the Modernisation of Agriculture (PMA), including actions to raise incomes from non-farm activities. At the same time, Government is seeking to identify actions which will enhance competitiveness and increase export diversification, through the Medium Term Competitiveness Strategy (MTCS) and the encouragement of strategic exports. In reviewing the achievements of the past year, this chapter begins (in Section 4.2) with a brief review of recent diagnostic work on livelihoods in rural Uganda, and the lessons it provides for public policy and action. Section 4.3 then reviews progress in the implementation of this third pillar of the PEAP. Finally, the chapter identifies (in Section 4.4) the challenges ahead, making recommendations for the way forward.

4.1 Rural Livelihoods and Poverty Reduction in Uganda

The previous Progress Report provided updated information on trends in rural poverty, based on the 2000 round of the Uganda National Household Survey (Appleton, 2001). It was estimated that about 7.7 million people (35% of the population) are unable to meet their basic needs. An increasing number of these are to be found in the North, which experienced increased poverty at a time when poverty elsewhere was declining. The income group that benefited most dramatically was cash crop farmers, reflecting the increased share of the world price received by farmers. In Central Uganda, where most of the coffee is produced, poverty levels halved. Interestingly, the more recent data showed that poverty reduction also occurred among ‘food crop’ farmers, though the factors behind this were not fully understood. Recent analytical work has provided clues as to what lies behind this improvement in rural livelihoods. The results of these studies will be important inputs into the review and revision of the PEAP (being incorporated into the next PEAP Status Report), and they will also inform the implementation of the PMA.

Using panel data (obtained from the 1992 Integrated Survey and the 2000 UNHS), Sen and Balihuta (2001) show that while crop agriculture remains the main source of income, non-farm activities have become a more important source of livelihood in rural Uganda. The fall in income poverty is associated therefore with diversification, featuring an expansion of non-farm income. Ellis and Bahiigwa (2001), using both participatory and quantitative methods in three districts (Mbale, Kamuli, and Mubende) confirm this. Canagarajah et al (2001) found that the expansion in non-farm incomes in rural Uganda was significantly enhanced through education attainment. Using a recent data set on rural livelihoods covering 107 Ugandan villages (and conducted by the International Food Policy Research Institute), Pender et al (2001) found that expansion in non-farm activities was more common where roads and rural markets were well developed. These studies provide support to the PEAP emphasis on rural roads and education (including vocational education) as key actions for reducing rural poverty. Deininger and Okidi (2001) confirm that education and infrastructure are important factors explaining the expansion in rural household incomes. They also find that households facing health problems at the beginning of the period experienced income growth that was significantly lower than those with no such problems. This underscores the role played by other components of the PEAP (in this case the health strategy) in advancing rural livelihoods.

Deininger and Okidi (2001) found that initial holdings of physical assets (including land and livestock) determined future household income growth. Ellis and Bahiigwa (2001) confirm this, showing that ownership of land and livestock was the major distinguishing feature between the top tercile and lowest tercile of households studied in the three districts. The important roles that livestock plays in income growth and poverty reduction is also highlighted in Pender et al (2001). Research also highlights the need to encourage farmers to conserve and properly manage the assets they hold. A study conducted in twelve communities in the banana coffee lakeshore system showed that soil fertility decline, diseases and pests, and dependency on rainfed agriculture were the most cited reasons for declining yields of major crops and therefore important causes of food insecurity and declining incomes (Jagger and Pender, 2001). This calls for increased use of fertility replenishing inputs, soil conservation practices, use of improved inputs (panting materials), use of irrigation and/or water conservation practices and more effective research and extension services.

In sum, the analytical work conducted over the past year provides a great deal of policy insight for the PEAP—both its implementation and its future revision. The work emphasizes the role played by non-farm activities in rural poverty reduction, the importance of access to markets and rural roads, and the key importance of human capital for rural income growth. Recent work also confirms the emphasis given in the PEAP to increasing the asset base of the poor, and to provide extension services to help poor households properly conserve and manage their productive assets.

4.2 Progress in Implementing Pillar 3

The following sections will elaborate on progress made by Government in its efforts to increase the ability of the poor to raise their incomes (Box 3.1 presents a summary). Increasing the incomes of the poor must recognize that the majority of poor live in rural areas, are self-employed in farm and non-farm activities, and are constrained by limited skills, assets and market opportunities. The 2001 PRSP Progress Report distinguished actions which promote secure access to assets for the poor and which increase the returns that poor people can generate from those assets. In reporting on progress during the past year, this Report retains this distinction.

4.2.1 Increasing access to productive assets

The major assets of the poor include land, perennial crops, livestock and credit. These will be highlighted in this section with specific reference to the policy implementation.

Box 4.1 Highlights of Progress in 2001

Over the last year there has been progress on both program implementation and new program development to increase the ability of the poor to raise their income. While each of these will be elaborated in more detail in the subsections of the main text, a summary is provided here:

Progress on program implementation

- *National Agricultural Advisory Services*: Implementation of the National Agricultural Advisory Services (NAADS) program has now begun in the districts with 24 sub-counties entering participatory agreements.
- *Agricultural Research*: Four agricultural research development centres (ARDCs) have been established in each agro-ecological zone to improve research outreach. An institutional review of the agricultural research system in Uganda is also currently underway to find ways to improve research effectiveness.
- *Non-sectoral conditional grant*: The Non-sectoral Condition Grant (NSCG) is now in its second year of implementation with funds being used primarily for investments with an agricultural result. In addition, an increasing share of the development grant under the Local Government Development Program (LGDP) has been used for productive investments. A performance review of the NSCG is currently underway.
- *Environmental mainstreaming*: Sectoral Environmental Impact Assessment (EIA) guidelines for Works have been developed and implemented, draft guidelines for water and sanitation are being reviewed.

Progress on program development

- *Micro-finance*: An outreach program for microfinance development has been prepared and agreed between the Micro-finance Forum and the MOFPED.
- *Land tenure*: The Land Sector Strategic Plan (LSSP) has been developed with a corresponding 10 year investment program.
- *Rural electrification*: A rural electrification program has been prepared which will be a joint public-private partnership using 'smart subsidies' to private providers for grid providers and other infrastructure for electrification.
- *District roads*: A draft White Paper on sustainable maintenance of district, urban and community access roads has been completed and is currently being discussed.
- *Strategic exports*: A strategy for increasing production, processing, and marketing of a number of strategic export crops, livestock, and fish, has been developed, which is currently being discussed.
- *Further analytical work*: Analytical work targeted at improving the spending plans of the Ministry of Agriculture; strengthening land rights for women and strengthening common property resource management; assessing the operation of the NSCG; identifying constraints in the legal, regulatory and policy environment; improving the monitoring and evaluation system for the PMA; and identifying ways to reduce marketing transaction costs,

(a) Access to land

Although Uganda's land resource is still sufficient to support agricultural based development (a third of Uganda's arable land is under cultivation), population density is growing, land-tenure insecurity is experienced by many (especially women and the poor), and land degradation is a growing problem (Pender et al, 2001). Enactment of the 1998 Land Act was a positive step towards solving land tenure issues in Uganda, in particular, the Act provides the legal basis for regularizing land tenure under *mailo*, freehold and customary tenure regimes. It provides for decentralized land administration and conflict resolution. Land conflicts are high, particularly in the west, east and central regions of the country – with land conflicts reported by 52 percent of communities nationwide (Okidi and Deininger, 2000). More secure tenure would raise investment levels and formalized tenure would increase marketability of land. Development of land markets would have a significant and positive contribution to equity, as previous experience suggests in Uganda, and would improve allocative efficiency and enhance agricultural productivity and household welfare. Delivery of land services is yet to be fully decentralised and therefore services are limited in terms of access and efficiency in delivery especially for the majority of the poor. The 1998 Land Act is not fully operational and has been a subject of frequent amendments. This is mainly because it was passed before a broader policy and operational framework had been agreed upon. This anomaly is currently being addressed through the Land Sector Strategic Plan (LSSP).

The LSSP, which was completed in 2001, provides an operational framework for the implementation of the provisions on land contained in the Uganda Constitution (1995) and the Land Act (1998). The vision of the LSSP is "Uganda's land resources used productively and sustainably for security of livelihoods and poverty eradication." The mission is "to create an enabling environment for the participation of all stakeholders in effective use and management of Uganda's land resources." One of the strategic objectives of the LSSP is to improve livelihoods of poor people through a more equitable distribution of land access and ownership, and greater tenure security for vulnerable groups. This will be achieved by:

- increasing security of access to and ownership of land through certification and use of the land fund,
- improving access to justice in land cases, and
- raising awareness of land rights.

The implementation of the LSSP including the development of a Land policy, establishment of functional district land boards and tribunals, and the operationalisation of the land fund, are some of the key issues to be addressed in the medium term. Over the past year there has been progress in a number of areas:

- The LSSP, prepared by MOWLE was broadly endorsed by a National Consultative Forum in July 2001. The plan has clear objectives, identifies priority areas for action, with a costed action plan consistent with the MTEF ceilings. The plan also details institutional and financing mechanisms, and monitoring indicators.
- Studies are currently underway on options for strengthening land rights of women and orphans and for strengthening common property management systems.
- MOPS, MOWLE and MOFPED are currently finalizing the financial and institutional arrangements for the implementation of the LSSP. Once these have been finalized the amendments to the Land Act, currently in Cabinet, should be approved. The LSSP was submitted to Cabinet for approval in February 2002.
- A Task Force to draft a land policy has recently been established and regional tribunals have been inaugurated.

(b) Access to perennial crops

The income group that benefited most from Government policies of trade liberalisation were cash crop farmers. The sustainability of these gains is a function of world commodity prices and the ability of the farmers to diversify and add value to the exported products. Despite the fluctuations in world prices, government has continued to support efforts for increasing the ability of the poor to access planting materials for coffee; cotton, tea, cocoa etc. financed under PAF and other poverty alleviation programmes. Emphasis is being put on not only increasing the volumes of exports, but also adding value and diversifying the product range through processing and targeting niche markets. These efforts are being supported by export promotion initiatives and private sector support efforts under the PMA and MTCS.

Government has prepared a strategy for increasing production, processing, and marketing of a number of strategic exports (coffee, cotton, tea, fish, livestock, Irish potatoes, horticulture). The strategy envisages the distribution of about 20 million seedlings of coffee and about 5 million of tea seedlings per annum to farmers over the next five years. The demand for tea seedlings has been estimated at about four times the available seedlings in the country. This is the basis for government's support to tea nursery development so that poor farmers can take advantage of the relative profitability of the tea subsector. The programs for each of these strategic exports are to be further discussed and refined to ensure effective use of public expenditures.

(c) Access to livestock

Livestock is an important source of capital and income to poor rural households in Uganda. They are sold directly to raise cash, provide draught power for ploughing and transport, are a store of wealth and serve many social and cultural functions. Most households in northern and eastern Uganda lost livestock as a result of looting during the periods of insecurity and cattle rusting by the Karimajong. Government has continued to support programmes that help households acquire, multiply and use livestock as part of the poverty eradication efforts in support of the poor. The implementation of the programme is cognizant of the needs of the poor, youth and women. The recent programme to disarm the Karimajong will contribute to the objectives of the restocking programme by the reducing the incidence of cattle rustling in the region.

The Government strategy to promote the production, processing and marketing of strategic exports will focus on increasing the export volumes and unit values of livestock products, such as milk, beef, hides and skins, and leather products. Interventions will include the provision of water in the cattle corridor, disease control (especially of foot and mouth disease and brucellosis) and provision of market infrastructure, including construction of markets and abattoirs in collaboration with the private sector. As with perennial crops, programs for the livestock sector under the strategic exports initiative are to be further discussed and refined to ensure effective use of public expenditures.

(d) Access to financial services

Even poor households need financial services for savings at times of harvest or periods of plenty, for credit to tide them over during times of seasonal hardship, and for financial transfer from relatives in urban centres and abroad. The outreach of rural financial services in Uganda is still dismal, supporting only about 500,000 clients, with savings estimated at U.shs. 65 billion and outstanding loans of U.shs. 53 billion. However, most micro-finance institutions are concentrated in central and southern areas of the country especially around the main towns and trading centres. Past efforts by Government to provide financial services to the rural poor have not been successful. As a result, under the PMA, Government plans to use the private sector as the mechanism for delivery of financial services and limit its role to providing a conducive environment and capacity building. Progress in 2001, towards these objectives include:

- The development by the Micro-Finance Forum (MFF) of an outreach program, which includes an institutional capacity-building framework for microfinance institutions. The outreach program has been endorsed by the MOFPED and has been submitted to Cabinet for approval in February 2002.
- The Micro-finance Deposit-taking Institutions (MDI) Bill was prepared and was tabled in Parliament in February 2002.

The main principles of the micro-finance outreach strategy are:

- To consolidate government programmes in the sub-sector and entrust credit delivery to the hands of private sector led MFIs. The Rural Microfinance Support Project (RMSP) has been incorporated as a company by guarantee. The recovered Entandikwa and Youth Entrepreneur Scheme (YES) funds will be transferred as credit lines or equity to sustainable microfinance institutions. Government will retain the role of policy formulation, guidance and monitoring the implementation of the plan.
- To expand the functions of the Micro-Finance Forum (MFF) by creating district level micro-finance committees comprising of stakeholders in the subsector.
- To enable the Entandikwa Secretariat to collect the unpaid debits under the Entandikwa Credit Scheme (ECS).
- To extend the outreach of micro-finance services to the sub-county level and where necessary to contract the services of Financial Extension Workers (FEWs) to support the outreach and build linkages between the MFIs and the poor.

The Uganda National Capacity Building Framework (UCAP) has been developed to provide MFIs with access to high quality training by certified private-sector capacity building suppliers. In order to facilitate access to these services, a Matching Grant Facility, which recognises the different levels of maturity of the MFIs in Uganda, has been proposed. The MFIs have to fulfil eligibility and funding criteria in order to access the facility. Whereas some rural areas, such as Karamoja and some parts of northern Uganda, are considered unviable for commercially-run MFIs due to insecurity and limited economic activities, many rural areas are expected to support and benefit from increased access and availability of commercial credit facilities. It is envisaged that the implementation of the Outreach programme, to be financed by government and a number of donors, will result in an annual increase of 25% growth in the number of clients in sustainable MFIs in the next five years.

The enactment of the Micro-finance Deposit-taking Institutions Bill is an important element for expanding the reach of micro-finance institutions to poorer clients, particularly in rural areas. The enactment will enable leading NGO micro-finance institutions to become licensed to take and intermediate savings from the public, and encourage new investment in specialized micro-finance institutions. This will enhance the reach of these institutions by freeing them from dependence on commercial bank branches and on donor subsidies, and by enabling them to offer savings products that are attractive to even poorer clients than those who are creditworthy.

4.2.2 Increasing the returns of the assets of the poor

The majority of people in rural areas posses some assets (land, livestock, human labour, seeds and planting materials, etc). However, the returns to these assets are often constrained—by low productivity, high transactions costs arising from poor market access, and inefficient methods of cultivation. It is estimated that only 30% of the total arable land (5 million hectares out of 17 million hectares) is under cultivation. Farm level productivity is estimated at around only one third of the levels achieved on research stations, reflecting the low levels of input use and poor agronomic practices.

(a) Agricultural research

Following the adoption of the PMA in 2000, NARO developed a medium term plan with strong adaptive research and outreach programmes. This was launched in February 2001. Under the plan, special attention is given to the establishment of Agricultural Research and Development Centres (ARDCs) in major agro-ecological zones. Four such Centres have been launched at Bulindi in Western Uganda, Abi in West Nile, Ntaho in Mukono and Kacwekano in South Western Uganda. NARO has done tremendous research work over the last 10 years and breakthroughs have been made in combating cassava mosaic disease, production of high yielding maize, groundnut, millet and sorghum varieties, and control of the water hyacinth. There has been continuing discussion on how public sector support to agricultural technology generation can be made more effective and relevant, resulting in the initiation of an institutional review of the entire National Agricultural Research System (NARS) with the view to:

- promoting demand-driven, farmer responsive research;
- decentralising the delivery and funding of research and outreach services;
- promoting private sector participation in the delivery and financing of agricultural research services;
- introducing competitive mechanisms of research financing; and
- enhancing the efficiency and effectiveness of national institutional arrangements supporting agricultural research.

A Task Force composed of key stakeholders, supported by consultants, has been set up to undertaken the review of the National Agricultural Research System (NARS) and generate benchmarks for the reform process. This review is expected to be completed by March 2002, after which there will be broad stakeholder discussion and agreement on the future strategy for agricultural research.

(b) National Agricultural Advisory Services

The National Agricultural Advisory Services (NAADS) program has now begun implementation in districts and sub-counties. The program is designed to be demand driven to provide farmers with access to the expertise of agricultural professionals to help them with the decisions they face in their farming enterprises. Under NAADS, public funds will be channeled for farmer fora at the sub-county level for them to contract the services of farm advisors. Additional funds will be available at the district level to train farmers and extension workers, and give them access to the services of agricultural advisors and researchers. Financial support for NAADS will come from a consortium of donors as well as from center, district, and sub-county governments and from farmers themselves. Over the second half of 2001, twenty four (24) sub-counties, farmer fora together with local government have identified and signed initial and interim agreements (MoUs) with service providers securing their advisory services for the first six months of 2002. From mid-2002, regularized contracts (still being finalized by the NAADS design team) will be signed with the same (or with alternative) service providers in these sub-counties. Meanwhile, the signing of these agreements establishes the conditions for the launch of field activities in the twenty four (24) sub-counties.

(c) Improving Access to Markets

Both farm and non-farm activities can raise households out of poverty, but only when there is relatively low-cost access to markets. Here we review progress in actions designed to enhance such access.

Roads

Improving access to input and output markets by reducing transportation and other transaction costs is one way of increasing the incomes of the poor. Over the last 10 years government has invested substantial resources in opening up rural areas by investing in the construction and maintenance of feeder roads. At the moment most district feeder roads in the country are accessible. However, maintenance costs remain high. In 2001, the Government prepared a draft White Paper on Sustainable Maintenance of District, Urban and Community Access Roads which sets out the new strategies and plans for maintenance of these roads. To maximize returns for road investments, the Government has commission work to develop criteria for road prioritization, to develop a road classification system and the associated design standards. Following this analysis, appropriate guidelines and manuals to assist the districts in classifying, designing and prioritizing their road networks will be developed.

Efforts are now being put into investments in community access roads, village bridges, footpaths and the access to basic transportation tools such as bicycles, motorcycles, ox-carts and donkeys. These are mainly financed through discretionary resources going to local governments such as the Local Government Development Programme (LGDP) and the Non-Sectoral Conditional Grant (NSCG). The NSCG has been piloted in 17 district and is now in its second year of implementation with funds being used primarily for investments with an agricultural result. In addition, 15 percent of the development grant under the Local Government Development Program (LGDP) have been used for productive investments (an increase from 5 percent in 2000/01). A performance review of the NSCG is currently underway. In the context of the finalization of the fiscal decentralization strategy document, agreement has been reached in principle that the PMA Non-Sectoral Conditional Grant should operate according to the Local Government Development Program (LGDP) modalities and will be integrated into the LGDP grant mechanism over time. However, the timing and technical aspects of the merger are still to be discussed and agreed by Government.

Agricultural inputs

Use of external inputs is critical to increased productivity at farm level. This also has implications for reversing soil degradation. Although there has been an increasing trend in the use of external inputs (fertilizers, chemicals, feeds, herbicides, seeds, etc) at the national level, average farm level input use remains low. Smallholder farmers use less than 1 kg. per hectare of inorganic fertilizers and less than 10% of the farmers use any improved seed or apply pesticides (Jagger and Pender, 2001). In parts of eastern and northern Uganda, input use (especially of fertilizer and improved seed) has been promoted by non-governmental organisations including Sasakawa-Global 2000 (SG 2000), Investing in Developing Export Agriculture, (IDEA) Project, and Appropriate Technology (AT) Uganda. However, smallholder fertilizer use remains constrained by the fact that imports are for specialised large-scale export farmers (sugar and tea). These fertilizers are in most cases not suitable for the needs of smallholder farmers and are expensive. The seed industry is still dominated by the Uganda Seed Project (USP), which is supposed to have been fully privatised by the end of last year. A number of private sector players have entered the seed market, mainly selling hybrid seeds from Kenya, Zimbabwe and South Africa. A Seed Certification Unit is operational in MAAIF, but needs strengthening, and a process of seed policy harmonisation within the East African region led by ASARECA generated useful ideas. There is need to revisit the Uganda Seed Industry Statute which was passed in 1993 but has never been operationalised. Amendments were made to the statue to bring it in line with the harmonized position of the EAC member states. The non functioning statue allows rogue seed dealers and discourages bonafide companies from investing in the sector.

Marketing of Agricultural Output

Uganda has a relatively small domestic market due to the population size, low purchasing power and dominance of a subsistence economy. However, internal markets could be promoted through improved infrastructure, dissemination of market information, value addition to products and product diversification, establishment and enforcement of product grades and standards. Uganda does have some comparative advantage within the region for the export of agricultural products. However this requires the supply of products of the right volumes and quality. A notable opportunity occurred in the year when at time of a bumper harvest of maize in the East Africa region, there was a maize shortage in Zambia and Malawi. A group of traders formed the Uganda Grain Traders (UGT) Ltd and seized the opportunity to secure a 40,000 metric tonne export contract with Zambia worth US$ 9 million. Similarly, Uganda must position itself to take advantage of the trade opportunities under the African Growth and Opportunities Act (AGOA), the European Unions "Everything But Arms" trade initiative, and other trade provisions such as the World Trade Organisation (WTO). The PMA and the MTCS provide the framework for the realisation of the opportunities available through the marketing of agricultural outputs in the regional and international markets.

As highlighted earlier, Government has selected a number of strategic export sub-sectors where it intends to invest resources over the next five years as a way of promoting export earnings, creating employment and achieving economic transformation. Commodities selected include coffee, cotton, tea, fish, livestock and horticulture. Information and communication technology (ICT) and commodity trading and risk management were also identified as support areas for strategic commodities. Further analysis is envisaged with respect to the interventions programme with support from development partners.

Access to labour markets and employment

While agriculture is a major source of income in rural areas, about 46% of households have non-farm enterprises of variable sizes. Only about 15% of those who have non-agricultural enterprises, however, employed any hired labour (Deininger and Okidi, 2002). One of the four main objectives of the PMA is the creation of gainful on farm and off-farm employment opportunities. The PMA sees increased job opportunities through:

- increased on-farm employment opportunities through exploitation of economies of scale, bringing new land into production and intensification of agriculture;

- increased off-farm employment opportunities especially in industry and services arising from increased demand for processing and marketing agricultural inputs and outputs.

It is estimated that about 300,000 youths enter the job market annually. However, the majority do not access gainful wage employment. Employment in agricultural has slowed down as a result of recently depressed commodity prices for Uganda's major exports, coffee and cotton. Government is adopting measures that would contribute to increased employment opportunities enhancing the skills and knowledge base through:

- establishment of 800 community polytechnics at sub-country level;
- promotion of information and communication technology (ICT) and e-commerce and taking advantage of Uganda's geographical location and time zones to attract jobs from North America and Eastern Asia;
- implementation of the PMA, increasing on-farm employment opportunities;

- supporting micro and small scale enterprises (SME) by implementing the Medium Term Competitiveness Strategy (MTCS); key areas of action include improved infrastructure, development, deepening and broadening financial services and export promotion;
- provision of discretionary resources through non-sectoral grants that empower local communities to implement poverty focused programmes.

Government has developed an energy for rural transformation programme. The long term objective of the programme is to develop Uganda's rural energy and information/ communication technologies (ICT) sectors, so that they make a significant contribution to bringing about rural transformation. The first phase of the program intends to develop a requisite framework for investments in the sector by: developing financial mechanisms for capital investment by service providers; providing business development support services; providing technical assistance and capacity building and training; and facilitating community discussion and mitigation of concerns.

(d) Sustainable management and use of natural resources

All efforts geared at improving the incomes of the poor are ultimately linked to natural ecosystems. Poverty is both a cause and a consequence of environmental degradation. To achieve sustained economic growth of 7% and above demands sustainable management and use of natural resources. However, the annual cost of environmental degradation remains high, estimated at US$ 168-547 million per annum (Moyini et al 2001). Soil fertility is declining resulting in declining crops yields. The rate of deforestation and reclamation of wetlands is on the increase. Land degradation is closely linked to population growth (estimated at 3% per annum), cultural practices (e.g. subdivision of land among the children), and government policies and institutions. In Kabale and other districts of Uganda, population pressure has resulted in land fragmentation resulting in plots that are increasingly becoming uneconomical to operate. For these and other factors (low yields, lack of labour, etc) the land under fallow has increased and in most areas naturally growing trees (such as eucalyptus), which can survive in infertile soils, have covered most of the hill slopes which were traditionally used for cultivation. In the coffee banana zone of central Uganda, declining soil fertility, leading to low food banana yields has resulted in increased production of the more tolerant beer banana varieties. This has protected farm incomes, but it has also led to less-desirable social outcomes — increased beer consumption and drunkenness (Jagger and Pender 2001).

Government as taken the following actions in 2001 to deal with these issues:

- The LSSP has been developed and is to provide a framework for improved management and use of the land resource in Uganda.
- A Wetlands Sector Strategic Plan and a National Wetlands Policy (NWP) have been completed, and have paved way for district Wetland Action Plans (WSPs), Community Wetland Action Plans and a National Wetlands Inventory.
- The National Environmental Management Authority (NEMA) is supporting District Environmental Action Plans and sectoral Environmental Impact Assessment guidelines. Sectoral guidelines for Works have been

implemented, and the draft guidelines for Water and Sanitation are being reviewed.

- The forestry sector completed a Forestry Policy (2001) and progress is being made towards the enactment of a National Forestry Authority (NFA) Statute.
- A study will be undertaken on water for production.
- Water resources management has been strengthened though the Nile Basin Initiative.

Critical to the management and use of natural resources is the need to have harmonised actions by all stakeholders in the sub-sector, ensuring the integration of actions in district and sub-county development plans and developing the requisite capacities (human and financial) for implementing the agreed upon actions. The current situation whereby individual sub-sectors (lands, forestry, wetlands, water, and environment) attempt to implement programmes at district level contravenes the decentralisation policy. Other challenges remain, and include the need to enhance community-level participatory planning, main streaming natural resources and environmental management in community plans, and securing adequate resources for the sub-sector.

4.3 Challenges and the Way Forward

Recent empirical studies on poverty have enhanced understanding of the various perspectives of rural poverty and how the livelihoods of the poor can be improved. Policies to increase asset accumulation and improve the returns to productive assets contribute to growth and if applied in a regionally targeted fashion, also have the potential of reducing poverty and interregional disparities. The design of the PMA and the MTCs will take into account the evidence-based findings of these and future studies.

The following challenges will have to be addressed in the coming year and beyond:

1. *Institutional reforms and strengthening at all levels*. Institutional arrangements for implementing Government programs at national level need to be continually strengthened, particularly the implementation of the LSSP. In addition, the experience with the NSCG grant disbursed at the end of FY2000/01 showed that release of funds to institutions that have weak participatory planning and budgeting capacities could be counter-productive. It is essential that the review of local government structures and capacity-building interventions be completed.

2. *Development of monitoring indicators and benchmarks*. The development of a monitoring and evaluation system is envisaged under the PMA. However, this exercise is yet to be completed. The implementation of the seven PMA priority areas of intervention will need to be supported by a set of monitorable indicators whose benchmarks need to be formulated soon. A series of workshops is currently underway to provide an agreed-upon set of outcome and process indicators for the PMA. These will be reported in the 2003 PEAP Status Report.

3. *Regional income disparities*. Regional income disparities remain a challenge for Government. These call for measures that might include:

- incorporating poverty in the formula for allocating resources to districts. The allocation of resources to districts on the basis of geographical area and population does not address the problem of regional disparities;
- increasing the investments that provide for increased asset accumulation and asset productivity for the poor.

4. *Price fluctuations*. The gains from liberalising agricultural output prices especially in coffee- and cotton-growing areas are likely to be reversed by the fall in prices over the last two years. This calls for policies and programme that can help mitigate the effects of price fluctuations at household level. The Ministry of Gender, Labour and Social Development is currently exploring the potential for developing a social protection strategy to address such vulnerabilities.

5. *Non-farm activities*. The growing importance of non-farm incomes demand that increased action should be put to those areas that enhance the ability of the poor to diversify their incomes such as access to electricity supply and empowering the poor through skills development to increase their ability to take advantage of the jobs so created.

5. Improving the Quality of Life of the Poor

Improving the quality of life (pillar 4) and enhancing the human capital of the poor comprise an essential component of Uganda's poverty eradication strategy. Policy goals, such as reducing infant and child mortality, raising the levels of educational attainment, providing safe drinking water, are all important social welfare objectives in their own right. But they also play a vital role in enhancing the incomes of the poor, as discussed in chapter 4.

In this chapter, the general achievements in the health, education, water/sanitation and population sectors are reviewed. Special emphasis is given to two important issues facing the health sector: a) the unfortunate trend in infant and child mortality; and b) the consequences of scrapping health user fees. For the education sector, trends in performance indicators are presented and primary, post-primary and decentralisation issues are analysed. Progress in the water sector is then tracked and a number of key issues discussed. Finally, the issue of population policy as a component of the poverty reduction strategy is reviewed. The size and composition of the Ugandan population crucially affects the attainment of Uganda's social welfare objectives.

5.1 Health Sector

Ill health was the most frequently cited cause and consequence of poverty in the 1999 UPPAP study (MFPED 2000b). Improving health is therefore essential to reducing poverty.

5.1.1 Annual Progress

In line with the PEAP, the overarching policy framework for the health sector is the Health Sector Strategic Plan (HSSP), which was launched in August 2000 and implemented during 2001. The HSSP is, among other things, designed around a basic minimum health care package, which targets cost effective interventions at the heaviest disease burdens.

An important implementation problem of the HSSP is the chronic and substantial under funding of the health sector. Current Government Budget allocation (including PRSC) is only US$ 5 per capita, representing 10.5% of the Government budget in this FY, and donor projects providing additional US$ 3. This is much lower than the Government commitment to the Abuja Declaration to provide 15% of the Government budget and the HSSP costing of US$ 28 per capita. This costing is comparable to the recent report from the Commission for Macroeconomics for Health, which estimates a minimum funding requirement of US$ 34 per capita[1].

(a) Quantitative Performance Indicators

The health sector implemented Results Oriented Management (ROM) during 2001. A set of 20 indicators have been chosen for monitoring performance in delivering the

[1] Source: Draft Letter of Development Policy.

HSSP and annual progress is monitored in the annual Health Sector Performance Report. In the context of the PEAP, the following indicators have been identified:

Table 1.1 in chapter reported the improvement in PEAP health indicators over the period. It also compared this progress with the targets set for 2004/05. Comparisons with the targets for 2001/02 were not made, as these targets were revised downward to reflect lower than expected levels of health sector funding. The health utilisation rate (OPD) increased modestly representing a reversal of past trends of stagnant utilisation. An important reason for increased utilisation is the abolition of user fees in February 2001. For the same reason this figure is also expected to increase in the future. Utilisation also increased because of the construction of new health facilities thereby increasing geographical access. A total of 120 Health Centres (HC) II, 45 doctors' houses and 45 theatres at HC IV were constructed.

The share of skilled health workers in approved filled positions increased markedly from 40 to 47%. This was a consequence of lifting the ban on recruitment and a concerted recruitment drive by the government. However, a large share of established posts are still filled by untrained staff, yet at the same time annual output of the current health training institutions can barely offset the attrition rate, undermining governments commitment to improving human resource for health.

The downward trend in DPT3 immunisation coverage from the previous years was arrested. Coverage has begun to increase as a result of the revitalisation of the immunisation programme (UNEPI). Immunisation levels are, however, much lower than five years ago as discussed later. Birth deliveries in health units have declined recently and the causes for this are also analysed later in this section.

Uganda continues to register progress in the fight against HIV/AIDS. Prevalence rates have fallen considerably throughout the 1990s and are currently at 6.1%. This is a remarkable achievement and Uganda is one of the few African countries that has actually managed to bring down prevalence rates. With no cure HIV/AIDS can only be prevented through changing sexual behaviour. Consequently, a strong information, education and communication strategy is being implemented by Ministry of Health. The Ministry of Health also distributed up to 60 million condoms during 2000/01.

This strategy depends heavily on people's knowledge and perceptions of the disease. The UDHS (2000/01) data reveals that while knowledge about HIV/AIDS is universal in Uganda, this is yet to be matched by knowledge about how to avoid contracting the virus. Only about half of the respondents cited the use of condoms, abstaining from sexual relations, and having one sexual partner. Efforts to control the disease must also continue in the future.

(b) Qualitative Assessment of Progress

Going beyond these quantitative indicators, the following is a qualitative assessment of progress over the past year. During its second year the HSSP put in place policies, structures and systems for effective implementation. A number of draft policies were successfully developed in the review period, including: Public-Private partnership, the Health Financing Strategy, the National Pharmaceutical Sector Strategic Plan, the Procurement Plan, a strategy for in-service training, and addressing pay roll issues with MoPS. The Health Financing Strategy articulates the need for additional resources if the HSSP is to be successfully implemented.

New generic devices for strategic and operational planning were developed by the Ministry of Health for the Health Sub-Districts and DDHS offices; they are being disseminated throughout the country during 2001 and 2002. These planning methods are well received in the districts and aim at providing well organised service delivery, while improving access to a comprehensive Minimum Health Care Package of curative, preventive and promotive activities.

The health sector witnessed a revitalisation in the Malaria and TB control programmes, with significant progress being realised in both programmes. Under the malaria control programme, a home based strategy for the treatment of fevers was developed and the use of Insecticide Treated Material (ITM) was introduced. The program also successfully mobilised resources and controlled malaria epidemics in Western Uganda. While there was a sharp rise in the number of TB cases, high success rates in their treatment was registered. This has led to a planned nationwide expansion of the current strategy. Moderate success was also registered for the Uganda Guinea Worm Eradication Programme, although full eradication of the disease is yet to be achieved.

Despite the above efforts and achievements, a number of policy related issues remain demanding more attention. Outstanding among them are: a) The continued high levels of infant, child and maternal mortality rates, and b) the increased pressure on health service delivery in the light of the abolishment of user charges. These two issues are discussed below.

5.1.2 Mortality Trends

The levels of infant, child and maternal mortality are important outcome indicators for the PEAP. Although the presence of disease and activities of the health sector affect mortality they are not solely responsible for the determination of those outcomes. A multitude of factors such as household income, female education, access to clean water, security, gender disparity, HIV, cultural practices and nutrition are recognised to impact on child survival. This must be kept in mind when examining the health sector's contribution to addressing mortality in Uganda.

Recent statistics from the Uganda Demographic Health Survey (UDHS) 2000-2001 reveal disturbing trends in the levels of infant, child and maternal mortality. Between 1995 and 2000 infant mortality increased from 81 to 88 deaths per 1,000 births. One out of every eleven newborn Ugandans infants die in the first year of life. Similarly, under-five mortality rates increased from 147 in 1995 to 152 per 1,000 births in 2000. Finally, maternal mortality rates fell only modestly from 527 to 505 per 100,000 births over the same period. The increases in infant and child mortality are, however, not statistically significant and the focus of analysis should therefore be on why infant and child mortality remain at persistently high levels. Table 5.1 illustrates.

Table 5.1 Mortality Trends, Uganda 1995-2000.

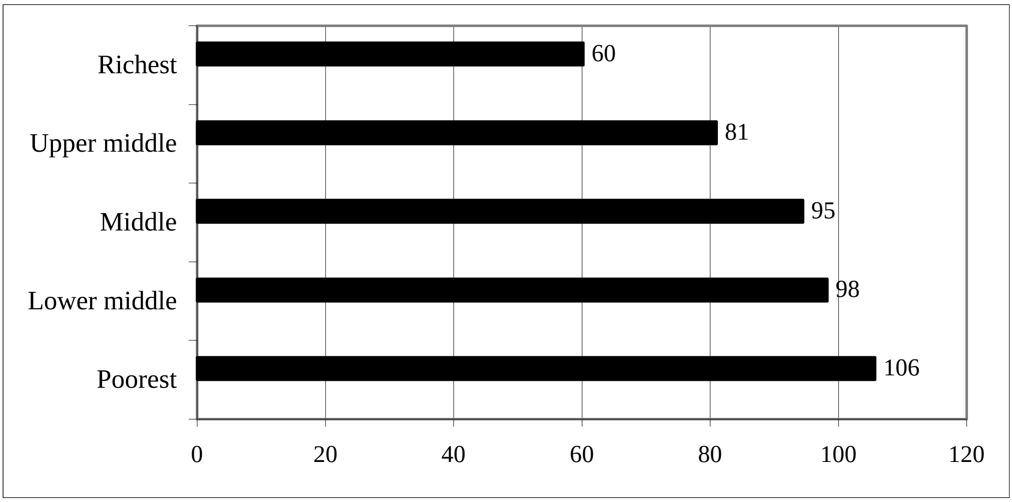
	1995	2000	GoU Target
Infant Mortality (per 1,000 live births)	81	88	68 (2005)
Under five Mortality (per 1,000 live births)	147	152	103 (2005)
Maternal Mortality (per 100,000 live births)	527	505	354 (2005)
Deliveries assisted by skilled health workers	38%	39%	50% (2005)

Source: Uganda Demographic and Health Survey (1995, 2000/01), UN (2000), MFPED (2001a).

The evidence of high and increasing mortality between 1995 and 2000 is surprising because Uganda experienced high economic growth and poverty reduction over the same period. The mortality level in Uganda is higher than in neighbouring countries with a comparable income level. Under-five mortality, for instance, stood at 136 per 1,000 in Tanzania and 124 in Kenya (World Bank, 2000). The discussion that follows focuses on infant mortality only.

The increase in infant mortality is mainly explained by the number of deaths within one month of delivery (neonatal mortality), which increased from 27 deaths per 1,000 in 1995 to 33 deaths per 1,000 in 2000.

Figure 5.1 Infant Mortality by Wealth Index Quintile.

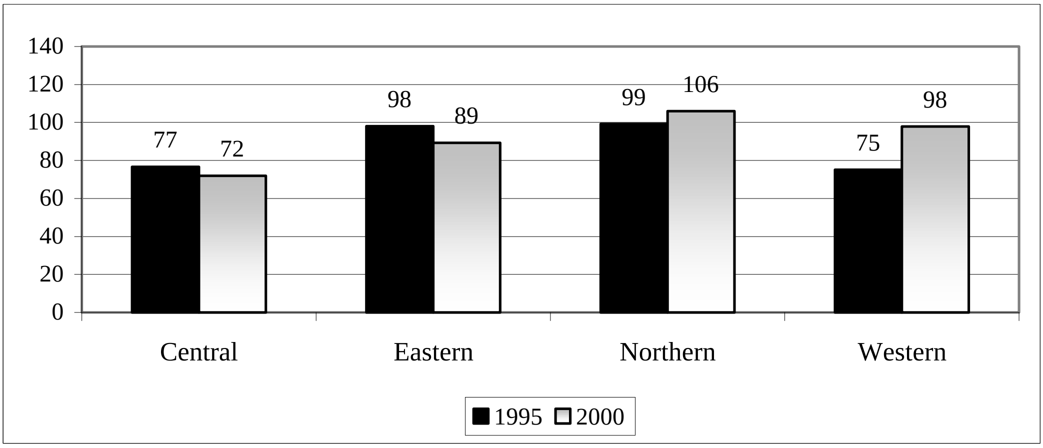


Source: UDHS 2000/2001.

Infant mortality is associated with income and wealth. On the basis of household characteristics available in the UDHS data set, a wealth index was constructed which divided the population into five groups of equal size. Infant mortality is almost 80% higher amongst the poorest 20% compared with the richest 20% (Figure 5.1). Comparing these estimates with earlier estimates (notably Sahn and Stifel, 2000) suggests that the infant mortality gap between the rich and the poor has widened in Uganda.

Infant mortality also has a geographical dimension (Figure 5.2 refers). An important observation is that regional experiences have differed over the last five years. Infant mortality fell in both the Central and the Eastern regions, while it increased in the Northern region. This was expected because income poverty fell in the Central and the East, while it increased in the North. Surprisingly, infant mortality rose sharply in the West, despite the fact that income poverty has fallen there. This highlights that income is not the only important determinant of infant mortality.

Figure 5.2. Infant Mortality by region, 1995-2000.



Source: UDHS (1995, 2000/01).

In view of the complexity of causes of infant mortality, a multivariate analysis is necessary to shed light on the relative contributions of determinants of infant mortality. Preliminary findings of a study (MFPED, 2002) using this methodology concluded that the following factors are the most important determinants of infant mortality:

Health utilisation:
- Place of delivery – children delivered at home experienced higher mortality.
- Child and maternal immunisation – children in low level immunisation areas experienced higher mortality.

Maternal characteristics:
- Age of the mother – children born to young mothers experienced higher infant mortality.
- Marital status – children born to widowed, separated or divorced mothers experienced higher mortality.

An omission in the infant mortality study was the lack of an appropriate income or wealth indicator. As discussed earlier, infant mortality is highly dependent upon this type of variable. Another important omitted factor is HIV/AIDS. This has a direct impact on mortality levels due to mother-to-child transmission of the disease, but it also has an indirect effect when mothers and other care givers are likely to be ill or dead at the time when they are most needed for caring for young children. Unfortunately, the data on HIV/AIDS are incomplete and could not be used in the study. The development of the health utilization explanatory factors during the last five years is examined below.

(a) Assistance during delivery

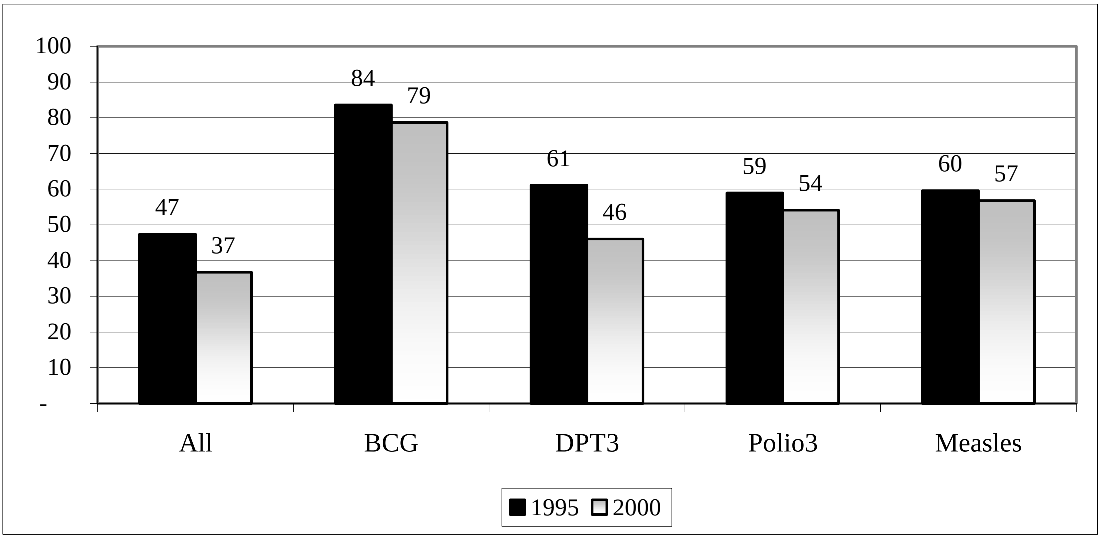
Antenatal care is almost universal in Uganda. 92% of all women receive care from a medical professional: 83% from a nurse or midwife and 9% from a doctor. However, when it comes to actual delivery most women prefer to deliver at home without skilled medical assistance. The share of births which are supervised by a skilled health worker has stagnated (table 5.2). Despite a Government target that half of all births should be supervised by skilled health workers by 2000 there has been no improvement over the last ten years, with the current figure standing at 39%. The Western region has the lowest share of assisted deliveries at 23%. Postnatal care in Uganda is also poor with more than nine in ten women not attending clinics (UDHS, 2000/01). The infant mortality study calculates that children born at home have a higher risk of dying before the age of one compared with children born in health facilities. Consequently, with a positive development in this area we would have witnessed lower infant mortality rates.

(b) Immunisation

Immunisation coverage fell significantly between 1995 and 2000. Overall, the share of fully immunised children fell from 47 to 37 percent (Figure 5.3). This was mainly attributed to a significant fall (from 61 to 46 percent) in DPT3 (diphteria-tetanus-pertussis) immunisations. Coverage for Measles, BCG (tuberculosis) and polio also decreased. Finally, Tetanus Toxoid vaccination for pregnant women also fell between 1995 and 2000. The proportion of women fully immunised dropped from 54 to 42 percent (UDHS, 2000/01).

Since children without immunisation have a much higher risk of dying than children with immunisation, it appears that the fall in immunisation rates is a critical factor in explaining the increase in infant mortality. Lack of Tetanus Toxoid vaccination among mothers is a major explanatory factor of the observed increase in neonatal mortality. Women in the Western region are significantly less likely than other women to have received this vaccination.

Figure 5.3 Child Immunisation Coverage in Uganda, 1995-2000.



Source: UDHS (2000/01).

5.1.3 Mortality and the Provision of Health Services

Having analysed the trends in infant mortality and service delivery the following picture emerges: Economic growth and poverty reduction in Uganda had the potential to reduce the high levels of infant mortality. Unfortunately, these positive economic developments were not translated into better health sector performance or reductions in health inequities. The noticeable fall in immunisation levels alongside a constant level of supervised births are the major explanatory factors behind the missed opportunity to reduce infant mortality. This observation has important policy implications, but first the causes of the poor health sector performance must be illuminated.

(a) Assistance during deliveries

A number of factors are important in explaining why many women chose to deliver without skilled medical assistance. From the UDHS data it is possible to identify the most important factors. When asked, most women (85%) stated that they have problems seeking medical advice and treatment for themselves. The greatest problems in accessing health care is getting money for the treatment (63%), distance to health facility (42%), transportation (43%), and negative attitude of health care providers (42%). It is important to note that these data were collected before the Government decided to abolish user fees in February 2001. Despite the new policy some clinics continue to charge user fees and not everybody is aware that they are no longer supposed to pay for the services in the health clinics. The difficulties in physical access are verified: Average distances to the nearest health facilities increased from 4.0 to 4.8 km. from 1996 to 2000 (MFPED 2001a).

The fact that 42% of all women complain about the negative attitudes of health care providers makes it possible to quantify the UPPAP findings that the special needs of women are neither satisfactorily understood nor answered by the current health care system: Many women report that poor conduct and attitudes by public health-care professionals discourages them from seeking help. For example women are sometimes discriminated against when waiting for treatment and mistreated. Due to the shame and frustration that women feel, they often refuse to seek further health care unless/until they are desperate. Ironically, this may lead to further castigation by medical staff, who berate the women for not having come earlier for help (MFPED 2001i, 15-16).

(b) Immunisation

The causes of the declining immunisation rates fall into three categories: a) unintended effects of decentralisation; b) lack of political support at all levels; c) fall in popular support for the national immunisation programme. The combination of a shift in the priorities of UNICEF and an attempt to decentralise immunisation to the districts was largely responsible for the immunisation decline. The decentralisation process was in its early stages and some difficulties emerged because local priorities differed from national ones. In other words, not all districts gave high priority to immunisation. These problems were exacerbated when UNICEF in 1997 discontinued its previous practice of paying for outreach services. In a centralised system, the Government could easily have shifted national resources to cover this gap, but in a decentralised system, all 56 districts would have had to shift their resources - and experience showed that many districts failed to do so (Hutchinson, 2001). As a consequence, outreach services almost collapsed and health cadres responsible for immunisation were retrenched.

The national immunisation programme faced other challenges. According to the KAP study, undertaken for Ministry of Health in 1998, many Ugandans are quite sceptical about immunisation campaigns for various reasons. The scepticism is caused by lack of knowledge of the importance of immunisation and false rumours that immunisations are dangerous. This is also echoed in more recent findings from NSDS (2000) where people cited the following reasons for not turning up: discouragement by others (33%), lack of publicity (14%), and rainy season (10%).

(c) Government Actions

Based on the above analysis the Government should be taking the following priority actions:

- Increase the share of attended deliveries through;
  - training and deploying more personal with midwifery skills.
  - improving ethical behaviour by influencing the teaching in the schools and universities preparing health care
  - improving the referral system and management of obstetric emergencies.
  - providing adequate incentives to enhance integrity in service delivery.

- Increase immunisation coverage for mothers and children through:
  - ensuring that local governments set money aside for immunisation and;
  - high level advocacy and commitment to childhood immunisations;
  - improving popular support of the immunisation programme at the national, district and lower levels.

Government is already implanting some of these actions, especially in terms of immunisations. The Ministry of Health, in collaboration with development partners, has initiated a programme of revitalisation of UNEPI by hiring new cadres of immunisation workers and reinstating community outreaches. The cold-chain system has also been overhauled, IEC material developed and distributed, radio spots on FM channels have been increased, service providers trained and supplies to districts increased. Immunisation rates have been improving recently as a result of this, but more efforts needs to be made.

In terms of increasing the proportion of attended deliveries only progress towards building more health clinics has been registered. Strategies to award accreditation of health facilities providing a high quality of service through the "Gold Star" initiative are planned but unfortunately under-funded.

5.1.4 The Abolition of User Charges

On 16th February 2001, Government decided to abolish user charges in government health units all over the country, while allowing for two lines of services in government hospitals (paying and non-paying patients). The justification for this policy change was a concern that poor people were being excluded from health services and a consequent intention to extend health access to the entire population. To compensate for the revenue loss in government health units, additional resources are being channelled into health sub-districts and hospitals, according to the 2001/2002 Medium Term Expenditure Framework (MTEF).

An immediate effect of the policy change was an increased number of patients seeking treatment in government clinics. Arguably, the scrapping of user fees has revealed a previously unsatisfied demand for health care in Uganda. However, the policy change has also put an increased pressure on the health service supply with a possible decline in quality as an immediate threat.

Increased access to services by the poor is a positive development, but if the quality of services is jeopardised then the poor people might be discouraged from using government facilities and this is not a positive development. What are the current challenges in the health system after the user fees have been abolished?

Preliminary findings of a study (NGO Forum and DFID EA, 2002) confirm that user charges erected barriers against the poor to the utilisation of health facilities. The reduction in utilisation also extended to essential and primary services such as immunisations, ante-natal services, etc. Though these services were free of charges, the institution of user fees deterred many people from seeking health care. After the scrapping of user fees, utilisation first shot up dramatically and then fell again, but to a permanently higher level than before February 16th 2001. The study argues that although the revenue from user fees was marginal, it was allocated mostly to non-salary and non-drug inputs, especially at peripheral health units. It was also used in the remuneration of health staff who had not yet accessed the pay roll. Despite some local benefits of user fees, the study concludes, this cannot outweigh the negative effect on service utilisation.

While Government has released extra funds to close the gap left by user fee abolition, health district official are complaining that they do not have enough resources. This appears as a paradox, but it is caused by an apparent self contradictory way of allocating resources to the health sector and management of the PHC conditional grant. On the one hand, there has been a significant increase in the overall level of funding for health as well as significant increases in the Primary Health Care (PHC) funds since the abolition of user fees. On the other hand, these funds are difficult to access because of the conditionalities attached to these funds which do not reflect local priorities of the health facilities and create additional demands, resulting in efficiency losses. Secondly, releases delay and are inadequate. A survey (UCBM, 2002) of a sample of PNFP hospitals between July and November revealed that less than 50% of funds had been released. Consequently, there is little operational cash to work with and the district health teams seem to be stuck. Some districts have therefore failed to pay the health worker's salaries for the last 5 months because of administrative delays between the Ministry of Health and the Ministry of Public Service following the re-centralisation of health workers' salaries.

Also compounding the problems of low liquidity levels, at the districts and at the health units, is the requirement that all drug purchases should have to be done at the National Medical Stores and strictly on cash terms. In practical terms, though, restricting the purchases of drugs to the National Medical Stores has actually ensured against purchasing of drugs from non-Conventional or simply expensive sources, the “Cash” condition has erected a huge barrier to those districts that are cash stripped. Research on cost-sharing is on-going. Apart from the study referred to here, the Ministry of Health, in collaboration with WHO, is also in the process of finalising a study.

5.2 Education Sector

Education is a key component of Uganda's poverty eradication strategy. Better-educated mothers have healthier children, and education helps farmers to become more productive. Education is also a means of empowering the poor population especially girls in poor households. The 2001 Uganda Poverty Status Report observed that the both the gender gap as well as the poverty gap have been more or less closed after Universal Primary Education UPE was introduced. Achievement of UPE remains Government's top priority. The main challenges remaining are the improvement of quality in order to improve attendance, retention and achievement; ensuring equity of access through facilitation of attendance by the poor and girls; expansion of access to post-primary and tertiary education within tight resource constraints, and ensuring retention and attendance of those already enrolled, particularly girls. This section discusses these issues.

5.2.1 Universal Primary Education (UPE)

Achievements for primary education over the year 2001 are reflected by a number of performance indicators (MoES, 2001a,b). The pupil-teacher ratio improved from 65:1 to 58:1 from 2000 to October 2001, indicating that the PRSC II target for March 2002 of 54:1 is achievable. This is largely attributed to the teacher recruitment drive undertaken by Government since May 2001. This led to an additional 10,515 teachers accessing the payroll. Government also recruited and enrolled 3,000 unqualified teachers to a three-year in-service training programme under the Teacher Development and Management System (TDMS). Cabinet approved incentives aimed at attracting teachers to remote areas, which include utilization of 15 percent of the classroom construction budget for teachers' houses and payment of monthly incentive allowance of 20 percent of a monthly salary to those teaching in hard-to-reach areas.

Around 68 per cent of the development budget for textbooks of shs. 13.9 bn. was spent on procurement of textbooks during the FY 2000/01. The shortfall is attributed to the delay in the award of contracts. While the pupil-text book ratio for 2000 stood at 4:1, a break down of data available by October 2001 shows the pupil-textbook ratio for P1-P3 and P4-P7 to be 5:1 and 3:1, respectively. However, the introduction of a new curriculum has invalidated all the current textbooks in classrooms. New textbooks are being procured for the new curriculum. Procurement arrangements for textbooks were reviewed and the new arrangements have resulted in an improvement in the quality of learning materials while, at the same time, reducing the unit cost by over two-thirds.

The pupil-classroom ratio similarly improved from 106:1 in 2000 to 98:1 in 2001, which is below the PRSC II target of 104:1 by March 2002. This is attributed to implementation of the recommendations for improved performance arising out of an evaluation of the classroom construction program Classroom construction received strong budget support totalling Shs. 48.3 bn. and a performance release of almost 100%.

[2] Performance indicators are derived from MoES (2001a,b).

While the above achievement provides reason to be optimistic, concern has emerged over the number of pupil dropouts, especially amongst poor children and girls. The dropout rates in primary schools is reported at 5% for both boys and girls[3]. However, these figures also include some pupils that re-registered in a different school. For those pupils who did drop out permanently the most important cause is the cost of education according to the National Service Delivery Survey. Three out of four households reported 'lack of money' as the most common cause that could 'force a child in the community to leave school forever'. Poor health (6.2%), pregnancy (5.2%) and marriage (5.8%) were also mentioned, although less important (MOPS 2000: 97).

A related issue to permanent dropouts is temporary failure to attend primary school. No national statistics are available on the prevalence of this phenomenon, but anecdotal evidence suggests that it is widespread. The drop-out study, currently underway, will shed more light on this issue. Important reasons for temporary non-attendance include poor health (64% of all respondents cited this reason), failure to pay extra charges required by school or PTA (52%) and lack of school uniform (42%). Insecurity was also mentioned by 52% of the households in the Northern region (MOPS 2000:97). Illness is an important, but not surprising cause of absenteeism. Again, the cost implications of sending children to school are very important. For instance, children from households that are unable to afford uniform requirements are reported to be embarrassed in the company of their friends and therefore resort to absenting from school (MFPED 2001c). It should be noted that it is not a requirement for UPE students to wear a uniform. Awareness about this should be raised throughout the country in order to reduce cost implications of sending children to school. A policy framework to ensure equitable access is under preparation. The policy and costed framework will be ready for incorporation in the planning and budgeting cycle by October 2002.

Hygienic facilities in schools have also been highlighted as an important reason for absenteeism and drop-outs, especially among girls. Most schoolgirls lack the necessary know-how and resources to cope with physiological developments associated with puberty. Mature girls are therefore often absent during the period they are menstruating thus giving them an absolute and relative disadvantage. Estimates of the distribution of toilet facilities reported in table 5.2 are based on 12,267 listed primary schools with a total of 111,695 toilets. More than half of all toilets lack privacy (such as stances with no doors/shutters and stances with shutters) which could deter girls from using them.

Table 5.2 Quality of toilets in Government Owned Primary Schools (2001).

Stances no doors / shutters	Stances with shutters	Stances with doors	Flushing toilets	Total
29%	29%	38%	4%	100%

Source: MFPED calculations based on MoES database.

Government is taking the problem of hygiene seriously and has now made it part of the school facilities grant program. The Ministry of Education and Sports has also, with assistance from UNICEF, started activities to develop girls' hygiene promotional

[3] Source: Ministry of Education.

materials. Interventions, such as training materials for teachers, mobilisation meetings and media messages are in the pipeline[4].

Direct evidence on learning is scanty, but what evidence there is gives cause for concern. Comparable tests administered to national random samples of P3 pupils in Mathematics and in English, in 1996 (the year before launching the UPE) and again in 199 (the third year of UPE), indicate that the number of pupils who achieved a satisfactory score on Mathematics tests declined from 48 percent in 1996 to 31 percent in 1999. In English on the oral test, the percentage performing satisfactorily declined from 92 percent in 1996 to 52 percent in 1999. (NEB, 1996, 1999). There were large differences in achievement between pupils in urban and rural schools, and among those in different regions. As part of the monitoring and evaluation framework, a system to measure pupils learning achievement - National Assessment of Progress in Education (NAPE) - is being developed to guide policy making and planning to improve quality.

5.2.2 Post-Primary Education

Government is determined to support post primary education so that the gains of UPE can be sustained. The first cohort of primary school graduates under UPE programme will appear in 2003. There are many disparities at post primary level: boys have higher gross enrolment ratio than girls (20% vs. 16%). However, regional and income-based inequities are evident everywhere in the system. The top income quintile group is occupying 63 percent of all secondary places. In addition to participation, the inequity is manifest in the type of school attended, with the rich attending elite boarding schools and the poor resorting to low quality, poorly resourced community schools, when they can afford them (Liang, 2001b). In addition, there are concerns about the relevance and quality of secondary education delivered: secondary education tends to be theoretical with little practical application of knowledge and skills. Government plans for a major expansion of post- primary education. In order to develop a coherent policy and strategic framework which balances issues and sets priorities within a realistic resource envelope, a series of interrelated, in-depth studies are being conducted. The results of these studies and a major stakeholder consultation exercise will contribute to the strategic framework for post-primary education, expected to be presented to the Education Sector Review of April 2002. The PPET strategy will cover alternative options, which can be offered to primary school leavers in the form of education and training. Similarly, a strategy for tertiary education is also under preparation, with several studies to inform policy already underway.

5.2.3 Decentralisation

Responsibility for delivery of primary and secondary education has been decentralised to the districts. About 72 percent of all government resources for education are provided through districts (the bulk of this through the Poverty Action Fund). Decentralisation of the Education Sector is currently piloted in four districts: Rakai, Kumi, Masindi, and Lira. A performance review of the four districts had the following observations: The strengths of decentralisation in the education sector were

[4] The New Vision, 28th January 2002.

identified as increased ownership, responsiveness to local priorities, more realistic unit costs and easier access to payroll. On the other hand, a number of weaknesses were also identified. These included the exclusion of direct donor contributions and local revenue for MTBFs, under usage of greater discretion, lack of proper software and adequate staff to manage the decentralised payroll.

Delays in accessing the payroll have brought about a discrepancy in records between the Central Government and Local Governments causing delayed payment of some newly recruited teachers' salaries and consequently shortfalls in central budget allocations to local governments. It was revealed that only 89% of the teachers' wage bill of shs. 143.7 bn was released because fewer teachers accessed the payroll compared to the staff establishments in the Districts (MOES, 2001). If unresolved, the above trend could cause loss of morale for the affected primary teachers. This could in turn harm the quality of services offered by them. Government is therefore working to ensure that the time lag between the reconciliation of Local Governments' plans and undertakings, and Central Government's budgetary provisions is narrowed down to the lowest possible minimum. Decentralization of processing of Pay Change Report forms has led to some improvements in access to the payroll. The tracking study on payroll management is also intended to come up with recommendations to improve payroll access.

5.3 Water and Sanitation Sector

5.3.1 Trends and Targets

The recent PRSC II Review concluded that the Water and Sanitation Sector met all policy benchmarks and service delivery targets agreed upon under PRSC I with over 90% utilisation of budgeted resources (World Bank 2001). In the rural sector, more than 3,000 water points were delivered against the PRSC target of 1,500. Consequently, the rural water coverage increased from 49.6% in 1999/00 to 52.2% in 2000/01.

In the urban sector, Government has, under PRSC I, gazetted 15 urban water and sanitation authorities to be responsible for the provision of services in small towns. Subsequently, the Government has assisted the authorities in procuring private sector operators to manage the provisions of services in these towns. Between April and December 2001 a total of about 5,500 new customers were connected by National Water and Sewerage Cooperation (NWSC) in the large towns under its managements. A total of about 7,200 is expected to be connected by March 2002 against the PRSC target of 6,300.

Under the framework of PRSC, Government is now implementing the Sector Wide approach to the WSS sector with the aim of streamlining the development in a sector that had historically been fragmented. The first joint Government/donor review of the sector was convened in September 2001. During this review, a broad consensus and support was received from the donor community towards the Government's new approach. Notwithstanding the progress achieved during 2001 a number of challenges have emerged as discussed below.

5.3.2 Key Issues

(a) Rural Sector

Since 96% of the poor people live in the rural areas (MFPED, 2001a), the quality of rural water and sanitation services (WSS) delivered is the main concern for poverty eradication. Service delivery in rural WSS has been plagued with weak procurement planning and poor construction supervision at the district level. Reports of defective water point sources, and weak hygiene promotion and community preparation are not uncommon. The problem not only lies in weak district capacity but also in the delays of the re-organisation of Directorate of Water Development (DWD). The latter involves the creation and operationalisation of several Technical Support Units with the primary objective of providing technical assistance to the districts in carrying out the implementation and maintenance of water and sanitation systems.

Another issue is the mismatch between actual allocations and optimal allocations. This happens at two levels. First, because the budget is split almost 50-50 on allocations to the districts and to the centre, it gives the impression that the centre is re-consolidating its position in the sector instead of making way for the districts to gain controlling heights of implementation. Secondly, small town projects receive a disproportionally high share of resources at the expense of the rural areas. Put simply, it could be concluded that '50% of the resources are being focused on 25% of the problem' (World Bank, 2001).

Furthermore, procurement management and construction supervision remains weak in some districts. Most district plans do not take on-going programs such as RUWASA or LGDP into account. The district plans typically also skew activities towards spring protection and not necessarily what communities want. Procurement planning against quarterly releases is also weak in some districts but above all construction supervision remains a major problem.

(b) Small Towns

The lessons learned so far from the implementation of the new management arrangement for the small towns also highlight some key issues and challenges. While each urban water and sanitation authority is responsible for the towns under its jurisdiction, it also appears that the sizes of many of these small towns are too small to support a viable, sustainable and affordable water and sanitation operation. It is critical that prior to retaining a service operator, the 'clustering' of small towns into sizes that has a reasonable potential for sustainable operations be carried out. Ministry of Water, Lands and Environment should assist the urban water and sanitation authorities to cooperate with each other on this issue.

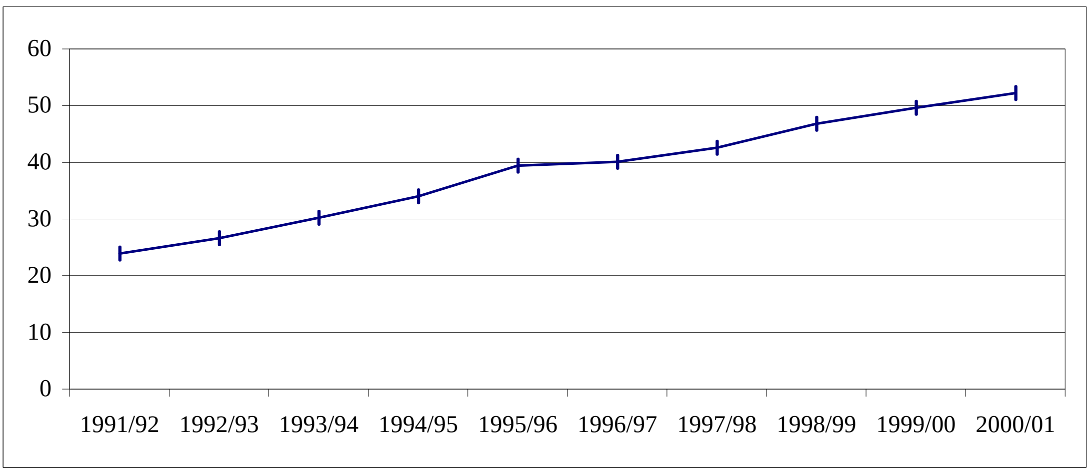
Although the demands for service appears relatively high, the small towns now operated by private sector operators on behalf of the urban water and sanitation authorities have yet to achieve breakeven in operations. While it may be appropriate to provide some grants to the urban water and sanitation authorities to support the operations, the key challenge is to provide these in a time limited fashion, concentrating on system expansions to achieve sustainable operational sizes rather than long term operational subsidies.

(c) Large Towns
In large urban centres currently under the management of NWSC, the Government is proceeding with its plans to retain an international private sector operator to take over the management of the water and sanitation provisions in these urban centres. In the meantime, a transition arrangement to have a private sector operator managing the commercial operations of NWSC's Kampala service area for about two years is in place. While NWSC operations have improved markedly over the last two years as a result of the Government's efforts to strengthen it prior to the private sector transaction, the issue of the government's policies towards social connections to serve the urban poor and investments in sewerage facilities have not been satisfactorily resolved. If a policy which explicitly targets connection subsidies to the urban poor is decided upon, adequate resources should now be allocated to allow NWSC to implement these policies on behalf of Government.

(d) Value for Money?
An issue that emerged during 2001 is whether Government and donors are actually getting enough value for the money they spend in the water sector. An analysis, undertaken by Ministry of Finance (2001b), concludes that the water sector was not sufficiently efficient in transforming inputs into outputs over the last 4 fiscal years. The total flow of resources to the sector tripled from shs. 44.9 bn. in 1997/98 to 133.9 bn. in 2000/01. The contribution from Government has increased almost tenfold resulting in a higher Government share to the Water sector in the MTEF from 0.5% (1997/98) to 2.4% (2000/01). The resources contributed by donors doubled over the same period. Donor projects are now three times higher than the Government contribution.

With a substantial increase in resources a significant increase in outputs in the same period was expected, but instead annual outputs dropped by around 8% from 3,302 new point sources in the period 1991/92-1996/97 to 3,065 in 1997/98-1999/00. Consequently, rural water coverage did not increase any faster than in previous years (see Figure 5.4). A rough calculation suggests that the costs required to increase rural safe water coverage by 1 percent has tripled over the last 4 fiscal years.

Figure 5.4 Rural Population Covered by Safe Water 1991-2001 (%)



Source: MFPED (2001b)

The causes of the apparent inefficiency must be identified and addressed. Potential explanations include: a) some resources were spent on repairing and maintaining default water sources; b) the decentralisation process, initiated in 2000/2001, has revealed low district capacity; and c) activities under donor project assistance have tended to be relatively expensive. A full investigation of these and other causes of inefficiency is highly warranted.

The Ministry of Water, Lands and Environment (MWLE) is to carry out a value-for-money study of the sector which is hoped to shed some light into these observed inefficiencies. The report of the study should be completed in time for the next joint Government/donor review of the sector expected sometime in the last quarter of 2002.

5.4 Population

The issues of family planning and population size have received increased attention in the Ugandan media in recent years. A plurality of views has emerged in this debate. The purpose of raising the issue in this report is threefold. First, to present recent population trends from the Uganda Demographic and Health Survey (UDHS 2000/01). Secondly, to re-emphasise the potentially negative impact that the size and composition of the population has on poverty as stated in the PEAP. And finally; to give recommendations on Government's current Population Programme.

5.4.1 Population Trends

Uganda's population continued to increase at a rapid pace of around 3% per annum between 1995 and 2000 from 19.3 to 22.2 million people. This trend is likely to continue and Uganda is projected to have a population of 36.8 million by 2015. The population growth rate is higher than other African countries, such as Tanzania (2.9%), Kenya (2.7%) or Zimbabwe (2.2%)[5].

Table 5.3. Selected Indicators of Uganda's Population.

	1995	2000
Total fertility rate (children)	6.9	6.9
Unmet need[1] (%)	29	35
Total 'wanted' fertility rate (children)	5.6	5.3
Contraceptive prevalence rate (%)	15	23
HIV Prevalence Rate (%)	14.0	6.1

1. Share of married women who want to space or limit births but are not using contraceptives.
2. Represents the fertility that would have prevailed if all unwanted births had been prevented.

Source: Population Secretariat and UDHS (2000/01).

An important explanation is the fertility rate, which at 6.9 births per woman is the highest in Eastern and Southern Africa. In comparison, Kenya and Tanzania have fertility rates at 4.4 and 5.6, respectively. Fertility rates have remained constant despite the fact that contraceptive prevalence has increased over the last five years from 15% in 1995 to 23% in 2000. Almost all the increase is in the use of modern methods. The use of contraceptives remains low compared with 39% in Kenya and 54% in Zimbabwe. The unmet need for family planning rose from 29% to 35% of all women from 1995 to 2000. Again, this level is much lower in other countries, such as

[5] Source: Population Secretariat, MFPED and World Bank (2000).

22% in Tanzania and 13% in Zimbabwe. If all unwanted pregnancies had been prevented total fertility would only have been 5.3.

5.4.2 Economic Implications

(a) Economic Growth and Poverty

Population growth has an important impact on economic performance, because it directly affects key outcomes such as unemployment rates and poverty levels. With a population growth of around 3% per annum, the Ugandan economy must grow by at least the same rate to avoid a fall in GDP per capita. High population growth implies high labour force growth, which means demand for labour must keep pace to avoid reduced real wages, particularly for unskilled labour, leading to a reduction in household incomes and increased poverty.

The composition of Uganda's population is equally important. Although the HIV prevalence rate fell from 14% to 6.1% between 1995 and 2000, Uganda has lost and will continue to lose a substantial part of the most productive part of its labour force in the age group 15 to 45. With 52% of the current population aged below 15 years there will be relatively less breadwinners to support relatively more dependants (UDHS 2000/01). Again, this tends to increase rather than reduce poverty, in the absence of compensatory improvements in productivity.

The arguments above show the dangers of assuming that a bigger population will lead to a more prosperous Uganda. It is important to stress that for one extra person to have a positive impact on the Ugandan economy, that person must be productive enough to earn an income higher than the national average of around US$330 per year. Such productivity requires some educational attainment, access to productive assets or good employment opportunities. Unfortunately, most of the population growth is happening in the poorer segments of society — poor households have more children than better-off households. Table 5.4 illustrates that the average number of children is twice as high for the poorest 20% as for the richest 20%. It is also well established that those in the lower range of the income distribution have less education, fewer assets and primarily farm for subsistence (MFPED 2000a, 2001b,d). As a consequence, it appears to be rather optimistic to assume that a higher population automatically leads to more prosperity, even under successful implementation of programs such as UPE and PMA.

Table 5.4 Mean number of children and fertility by quintile, Uganda

Income/Wealth Quintile[1]	Children below 15	Children below 5	Total Fertility Rate
Poorest 20%	3.49	1.06	8.5
2nd Quintile	3.30	1.07	8.2
3rd Quintile	2.81	0.98	7.5
4th Quintile	2.33	0.80	6.3
Richest 20%	1.72	0.56	4.1

Note: Consumption quintile for distribution of children; wealth quintile for total fertility rate.
Sources: MFPED calculations based on UNHS (1999/2000). UDHS (2000/01).

There is, therefore, some element of truth in the popular statement: 'the rich get richer and the poor get children'. Poor parents often get many children in the hope that some of them will be able to support them at old age. But large family size reduces the total resources available to the family, especially where land is in limited supply or where the family is paying for education. Over time, large family size tends to reduce each child's access to inherited assets such as land and livestock when they grow up. This is especially important in land-scarce areas of the country such as the East and the West. This is less likely to be the case in better-off families which have fewer children and more resources.

(b) Implications for Social Service Delivery

In addition to the impact on economic performance, high population growth also increases the demand for social services, such as education, health, water, extension services etc. With a high and increasing population growth, the financing requirements to sustain the current per capita level of social service delivery are likely to be too high, even if the Government is able to secure a constant tax revenue per capita. This is because Uganda relies, in part, upon external financing to deliver these social services. A bigger population is more expensive to serve and it is unrealistic to assume that our development partners will automatically increase their contributions in the future, or even to assume that the current high level of development assistance will continue. Even if both domestic and foreign financing remains constant in per capita terms, the currently high level of population growth complicates the attainment of many of Government's ambitious development goals. More research is needed to project the future implications of high population growth for public finance in the various sectors, such as health, education and water.

5.4.3 Policy Implications

High population growth in Uganda is likely to slow down economic performance and put pressure on service delivery. This is why the PEAP states that 'Government recognises the intricate and fundamental inter-relationship between population and development'. The impact of population growth on the attainment of development goals, objectives and targets is similarly appreciated. To that effect, Government has developed a population programme, which aims at encouraging a manageable family size in order to reduce poverty and improve the quality of life and raise the standard of living of people. The current programme is largely considered adequate, although it could be strengthened in the following ways:

1. Need to sustain advocacy activities and messages by leaders at national and district levels on the link between family planning and poverty eradication.
2. Reorient family planning campaign programmes to focus as much on men and youths as on women, so enhancing mutual consent between couples on the desired number of children.
3. Support programmes to empower women in order to enhance mutual consent between couples on their sexual behaviour, avoiding unwanted births and sexually transmittable diseases, especially HIV/AIDS.
4. Capacity building and development of human resources at the national, district and parish levels.
5. Increased budgetary resources to be used for further training and advocacy.

6. References

Appleton, S. (2001), *Poverty in Uganda, 1999/2000: Preliminary Estimates from the Uganda National Household Survey*, University of Nottingham, UK.

Canagarajah et al (2001), Non-Farm Income, Gender, and Inequality: Evidence from rural Ghana and Uganda, *Food Policy, Vol 25*, pp 405-420.

Ellis, F. and G. Bahiigwa (2001), *Livelihoods and Rural Poverty Reduction in Uganda*, LADDER Working Paper No. 5.

GOU (2001a), *Fiscal Decentralization in Uganda*, Draft Strategy Paper, Kampala.

GOU (2001b), *Uganda Commercial Justice Baseline Survey,* Uganda Commercial Justice Reform Programme, Kampala.

GOU (2001c), *Commission of Inquiry, Constitutional Review, Inception Report*, Kampala.

GOU and Development partners in the Health Sector (2001), *Joint Review Mission (October)*, Kampala.

GOU and Donor sub-Group on Decentralization (2001), *Fiscal Decentralisation in Uganda. The Way Forward*, Kampala.

GOU and World Bank (2001), *Design of Training Programme for Financial Management for Central and Local Governments*, EFMPII, Draft Final Report September 2001, Kampala.

HURINET, (2001a.) *Human Rights Quarterly Report Vol. 2, No. 4*, Jan-April, 2001.

HURINET, (2001b.) *Human Rights Quarterly Report Vo.l 2, No. 5*, May-Aug, 2001.

Hutchinson, Paul (2001) 'Combating Illness' in Ritva Reinikka and Poul Collier, *Uganda's Recovery - The Role of Farms, Firms and Government'*, Fountain Publishers, Kampala.

J/LOS, (2001a) *Gender and Access to Justice*. Justice, Law and Order Sector. Draft Report, Oct 2001, Kampala.

J/LOS, (2001b) *Uganda Commercial Justice Baseline Survey*, November 2001.

Keefer, P. (2000), *Growth and Poverty Reduction in Uganda: The Role of Institutional Reform*, mimeo, World Bank.

Jagger P. and J. Pender (Eds.) (2001), *Policies for Improved Land Management in Uganda.* EPTD Workshop Summary Paper No. 10, IFPRI.

Liang, Xiaoyan (2001b), *Secondary Education in Uganda: Coverage, Equity and Efficiency*, World Bank, Mimeo, October 2001, Washington DC.

Lister, S. and Nyamugasira, W. (2001) *A Study on the Evolvement of Civil Society in Policy Dialogue and Advocacy, Lessons Learnt on their Engagement in Policy Advocacy and Future Direction*. DFID EA, Uganda.

Moyini et al (2001), *The Costs of Environmental Degradation and Loss to Uganda's Economy, with particular reference to Poverty Eradication*, Kampala, Uganda.

MAAIF and MFPED (2000), *Plan for Modernisation of Agriculture: Eradicating Poverty in Uganda*, Kampala.

MFPED (1998), *Poverty Trends in Uganda, 1992-1996, Discussion Paper No. 2*, Kampala.

MFPED (2000a), *Uganda Poverty Profile: What do we know about the poor? Discussion Paper 3*, Kampala.

MFPED (2000b), *Uganda Participatory Poverty Assessment Report: Learning from the Poor (UPPAP)*, Kampala.

MFPED (2001a), *Poverty Status Report 2001*, Kampala.

MFPED (2001b), *Is the Water Sector Delivering?*, Kampala.

MFPED (2001c), *Statement on Key Social Goods in the Education Sector* by C. M Kassami, PS/ST (MFPED), Sheraton Hotel, 30 August 2001.

MFPED (2001d), *Poverty Indicators in Uganda – Discussion Paper 4*, Kampala.

MFPED (2001e), *Poverty Eradication Action Plan (2001-2003)*, Kampala.

MFPED (2001f), *Fiscal Management Systems Study (Inception Report)*, Kampala.

MFPED (2001g), *Medium Term Competitive Strategy for the Private Sector 2000-2005*, Kampala.

MFPED (2001h), *Uganda PRSP Progress Report 2001*, Kampala.

MFPED (2001i), *Health and Poverty in Uganda: Learning From the Poor – UPPAP Briefing Paper No. 3*, Kampala.

MFPED (2001j), *Government Interventions to Promote Production, Processing and Marketing of Selected Strategic Exports*, Kampala.

MFPED, (2002a) *Challenges and Prospects for Poverty Reduction in Northern Uganda - Discussion Paper 5*, Kampala.

MFPED (2002b), The Study of Infant Mortality in Uganda (Draft), Kampala.

Ministry of Education and Sports (2001a), *Sixth Education Sector Review (October)*, Kampala.

Ministry of Education and Sports (2001b), *Education Sector Six Months Report (April – October)*, Kampala.

Ministry of Health (2001), *Annual Health Sector Performance Report 2000/01*, Kampala.

Ministry of Health, 1998, *KAP Study Report on Immunisation Services in Uganda*, Kampala.

Ministry of Public Service (2000), *Report of the National Service Delivery Survey(NSDS)*, Kampala, Uganda.

MOPS, (2001) *Results Oriented Management (ROM) Implementation in the Uganda Public Service. Medium Term Strategy 2001/2-2003/4*, Kampala.

MWLE (2001), *Land Sector Strategy Plan, 2001-2011 (Revised Draft)*, Kampala.

National Examination Board, (1996 and 1999) Achievement of Primary School Pupils in Uganda in English and Mathematics, Kampala.

NGO Forum and DFID EA (2002), *Removal of Cost-sharing in Health: Helping or Hurting the Poor?*, Centre for Basic Research, Kampala.

NEMGROUP-U, (2001) *Promoting Good Governance Through Election Monitoring. Monitoring. Report of Uganda's Presidential and Parliamentary Elections 2001*, Kampala.

Pender, J., P. Jagger, E. Nkonya and D. Sserunkuuma (2001) 'Development Pathways and Land Management in Uganda: Causes and Implications' in Jagger P. and J. Pender (Eds.) (2001), *Policies for Improved Land Management in Uganda.* EPTD Workshop Summary Paper No. 10, IFPRI.

Sahn, D. and D. Stiffel (2000) "Poverty Comparison Over Time and Across Countries in Africa", *World Development No. 28, Vol. 12, pp 21, 23-55.*

Sen, K. and A. Balihuta (2001), *Macroeconomic Policies and Rural Livelihood Diversification: A Ugandan Case Study.* LADDER Working Paper No. 1.

Uganda Catholic Medical Bureau (UCMB), 2002, *Mini Tracking Study of PHC Conditional Grants to PNFP Hospitals*, Kampala.

UDHS (1995), *Uganda Demographic and Health Survey 1995*, Statistics Department Ministry of Finance and Economic Planning, Entebbe.

UDHS (2001), *Uganda Demographic and Health Survey 2000/2001*, Uganda Bureau of Statistics, Entebbe.

UHRC (2001) *Uganda Human Rights Commission Annual Report (Draft),* Kampala.

UN (2000), *Uganda: Promise, Performance and Future Challenges – A common Country Assessment of the United Nations agencies working in Uganda,* Kampala.

World Bank (1994), *The Private Sector in Uganda: Results of the World Bank Enterprise Survey*. World Bank, Eastern Africa Department, Washington, D.C. Processed.

World Bank (2000), *World Development Report 2000/2001 – Attacking Poverty*, Washington D.C.

World Bank (2001), *Draft Aide Memorie: PRSC II Water and Sanitation Component Preparatory Mission (October)*, Kampala.