

**Poverty Reduction Strategy Paper (PRSP)  
Progress Report 2001**

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**Uganda  
Poverty Status Report 2001**

Summary

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# Chapter 1

## Introduction and overview

### 1.1 Background: the planning cycle.

Uganda's strategy to eradicate poverty has its roots in two important Government initiatives. *Vision 2025* described long term national aspirations, and the 1997 *Poverty Eradication Action Plan* (PEAP) served as a national planning framework to guide medium term sector plans, district plans, and the budget process. The PEAP was revised in early 2000, and a summary of the revised PEAP served as Uganda's Poverty Reduction Strategy Paper (PRSP). In May 2000, the Executive Boards of the World Bank and the IMF agreed that the PRSP provided an adequate basis for World Bank and IMF assistance programs and for reaching the HIPC completion point.

The revision process of the PEAP is an essential feature of the strategy itself. First, it is a result in part of the planning and budgeting process. The relationship between the PEAP and sector plans, between sector and district plans, and between district and lower local council plans, is an *iterative* one. The PEAP sets the framework for other plans, but is also a product of those plans. PEAP revisions reflect the policy statements made in various sector plans, and balance the sector objectives within a national framework. In turn, revisions of sector plans take note of national priorities and constraints as outlined in the PEAP. While medium term plans establish a policy framework and desired outputs and outcomes, they are meaningless unless disciplined by hard budget constraints. Therefore another critical element of the planning framework is the medium term expenditure framework (MTEF). Since 1992/93, Government has adopted an MTEF, which is presented to Cabinet as part of the annual Budget Framework Paper (BFP), covering three fiscal years.

Second, the PEAP revision is informed by a series of consultations with the wider civil society of Uganda. Such consultations are already embedded in the planning and budget process described above. In addition, the preparation of the PEAP document itself is guided by consultations with civil society and international donor partners.

Third, the revision to the PEAP is based on the Poverty Status Report (PSR), which Government prepares in the years the strategy is not revised to monitor progress in the implementation of the PEAP. The strategy is then reviewed and revised on this basis. The PSR therefore is a central component of the PEAP process, providing critical feedback about what appears to work, and what is not so effective in the strategy. The first PSR was prepared in 1999, and Government is currently finalizing the 2001 report. In preparing the PSR, Government engages in a series of consultations with Ugandan civil society.

This document, which sets out Uganda's PRSP Progress Report for 2001, summarizes Uganda's PSR 2001. Consultations on the document have been held with Government and civil society representatives at a half-day workshop in Kampala in February 2001. Participation at the meeting was broad-based, comprising district-level Government representatives, Parliamentarians, and representatives from non-government organisations, research institutes, trade unions, the international donor community and

the media. These discussions guided Government in revising the document. Prior to this discussion on the draft PRSP Progress Report, the Uganda Bureau of Statistics (UBOS) held a two-day poverty workshop, focussing on the results of the Uganda National Household Survey (UNHS) 1999/2000 that are reported in this document.<sup>1</sup> This meeting also involved the participation of wider civil society in Uganda.

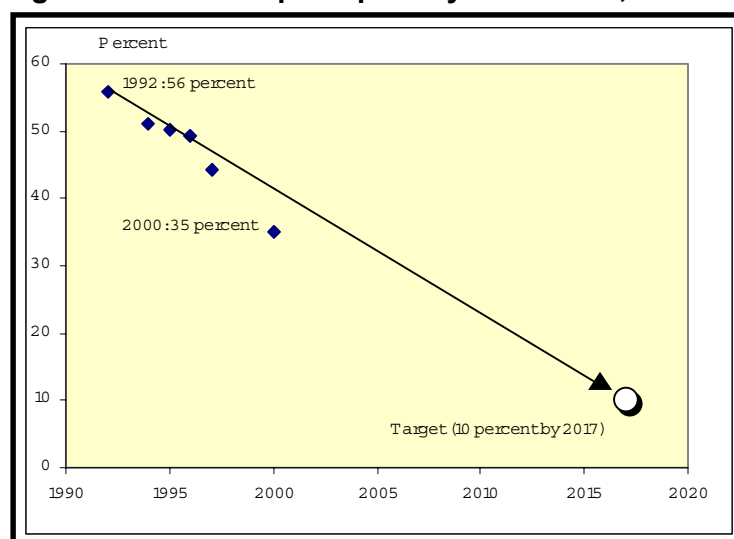
This PRSP Progress Report sets itself two broad objectives. First it brings to the policy agenda new information on progress in poverty reduction in Uganda, the most important of which are the results emerging from the 2000 UNHS. Second, it reports on the progress Government has made in implementing its poverty eradication strategy.

## 1.2 Overview of main messages

In 1999/2000 and the first part of 2000/2001, the Ugandan economy suffered adverse external shocks—the increase in oil prices, the fall in the world coffee price, droughts in some parts of the country, and the European Union’s (EU) ban on fish imports from Uganda. These have combined to slow down the economy, although a creditable growth performance of 5.0 percent in real GDP at factor cost was achieved during 1999/2000 and the growth rate is projected to slightly pick up in 2000/2001.

Despite this slow down, recent estimates from the 2000 UNHS confirm the downward trend in income poverty. Uganda has since 1992 conducted five nationally representative household surveys measuring the living standards of the population. These show a consistent downward trend in income poverty, and suggest that Government is on track in achieving its target of eradicating poverty (Figure 1.1). The proportion of people living below the poverty line has declined from 56 percent in 1992 to 35 percent in 2000.

**Figure 1.1 Consumption poverty headcount, 1992-2000**



<sup>1</sup> The fieldwork for the survey was conducted between August 1999 and July 2000. Henceforth in this report it will be described as the 2000 UNHS.

However, inequality has risen in Uganda since 1997. This is partly a result of higher urban income growth than rural, and the decline in living standards in rural areas of the North. The increase in consumption poverty in the North when it has fallen elsewhere, is one of the most significant policy messages of this report.

Uganda's Poverty Eradication Action Plan (PEAP) is established on four major pillars:

- Creating a framework for economic growth and transformation
- Ensuring good governance and security
- Directly increasing the ability of the poor to raise their incomes
- Directly increasing the quality of the life of the poor.

This PRSP Progress Report reviews recent experience in the implementation of each of these components of the strategy. The key messages under each pillar are the following.

### ***Creating a framework for economic growth and transformation***

Under this pillar, the report has three central messages:

- Though, due to adverse economic shocks, the interim growth and inflation targets were not met in 1999/2000 and the growth target may not be met in 2000/2001, there has been continued macroeconomic stability.
- A major concern is that private investment continues to be slow in responding to the opportunities that are available in the Ugandan economy.
- In order to encourage private investment Uganda must deal with the challenge of reforming public utilities and improving the physical infrastructure.

### ***Ensuring good governance and security***

This is a complex and vital challenge for Government. The report presents the following central messages:

- The numbers of people affected by emergency, both the drought in some parts of the country and the civic conflicts, have increased during the 1990s, representing more than 5 percent of the population. The number peaked in 2000 and has since started to fall.
- Insecurity is probably the biggest single reason for persistent poverty in the North, making serious development virtually impossible in some areas.
- International peace efforts, disarming of Karamoja and dealing seriously with development are central to poverty eradication in these areas.
- Improving service delivery is key, and this requires reforms of procurement, pay, financial and public sector management. These reforms will be supported by the proposed Poverty Reduction Support Credit (PRSC) which focuses initially on three sectors: health, education, and water.

### ***Directly increasing the ability of the poor to raise their incomes***

Discussion of this pillar is presented against the background of declining income poverty during the 1990s. The messages that emerge from recent experience are:

- Apart from the North, rural incomes in general, and agricultural incomes in particular have increased in the 1990s.
- Almost all broad income groups have gained.
- There has been insufficient diversification of economic activity, with much of the economic growth coming from an expansion of area cultivated.
- Hence there is a need to get seriously started with modernizing smallholder agriculture through the implementation of the Plan for the Modernization of Agriculture.

### ***Directly increasing the quality of the life of the poor***

The objectives of Government under this pillar are designed to improve the quality of life of the poor—better health, education, nutrition, and clean drinking water. Yet many of these also play a role in increasing the incomes of the poor. Government actions are critical in these sectors, and it is vital that the budget allocations that go to support these actions are translated into effective services that reach the poor and make a difference to their lives. The main features of this section are:

- There has been an enormous increase in gross primary enrollments, but this has in turn created problems and challenges, especially maintaining the quality of the schooling delivered. The PEAP/PRSP targets for pupil-teacher, pupil-classroom and pupil-textbook ratios for 2000 were missed.
- Health outcomes have been mixed. The PEAP/PRSP interim targets for immunization and trained staff were not met in 1999/2000. While child malnutrition has declined, HIV/AIDS and malaria continue to pose serious health threats to Ugandans.
- There has been a significant increase in the demand for health services, but most of this appears to be directed to private providers.
- There has been a major improvement in water supply and access to safe water has increased, but there continue to be problems with maintenance. Despite significant improvements, the PEAP/PRSP interim targets for the number of springs and shallow wells protected were not achieved.

### **Guide to the report**

This PRSP Progress Report is organized according to the four pillars of the PEAP/PRSP. Each pillar of the strategy is reviewed chapter by chapter (chapters 2 through 5). Chapter 6 draws the threads of the report together by setting out an agenda for the way forward.

## Chapter 2

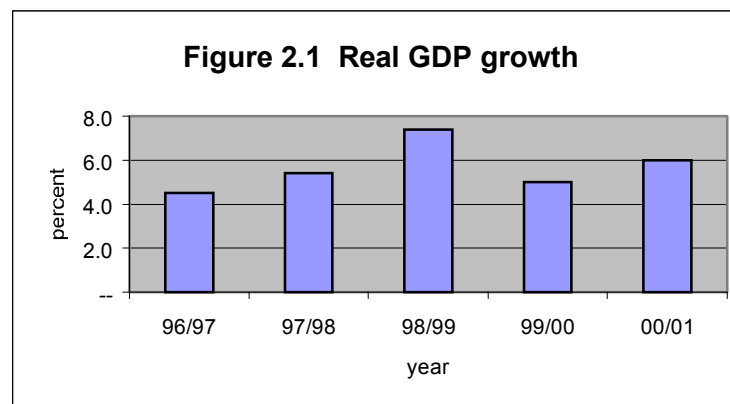
### Creating an enabling environment for rapid and sustainable economic growth and structural transformation

Economic growth and poverty reduction require a framework within which the private sector can expand. This framework has three key elements: (i) macroeconomic stability; (ii) equitable and efficient collection and use of public resources for poverty reducing activities; and (iii) the removal of constraints on private sector competitiveness.

#### 2.1 Stable macroeconomic environment

##### *Overall macroeconomic performance*

As specified in the PEAP/PRSP, Government's goal to reduce poverty to ten percent or less by 2017 can be achieved, if the real GDP grows at seven percent per annum, inflation is contained within 5 percent and income grows at the same proportional rate in all income groups. In 1999/2000, economic activity slowed down with real GDP growth declining to 5.0 percent and inflation rose to 6.3 percent, mainly due to the increase in food prices resulting from the effect of the drought (see Figure 2.1). The economic growth is expected to pick up in 2000/2001, with GDP projected to grow by 6 percent. While still relatively high, the growth was lower than the target growth rate of 7.0 percent. Table 2.1 presents the key macroeconomic indicators for 1996/1997-2000/2001.



Several factors contributed to the economic slow down: deteriorating external terms of trade, the prolonged drought in some parts of the country, the ban imposed by the EU on Uganda's fish exports, and a further consolidation of the balance sheets of the financial sector. Uganda faced a sharper than anticipated deterioration in its external terms of trade due to increasing international oil prices and declining world coffee prices.

<sup>2</sup> All GDP figures are reported at factor cost.

**Table 2.1: Key macroeconomic indicators**

	1996/97	1997/98	1998/99	1999/00		2000/01	
				Target 3/	Actual	Target 3/	Projection
Annual average inflation	7.8	5.8	-0.2	5.0	6.3	5.0	5.0
Real GDP growth	4.5	5.4	7.4	7.0	5.0	7.0	6.0
Terms of trade change	-11.3	12.1	-7.7	...	-14.0	...	-15.3
Gross reserves 1/	4.5	4.8	4.9	5.0	5.0	5.0	4.9
<i>(in percent of GDP at factor cost)</i>							
Total revenue	12.1	11.3	11.9	...	11.7	...	11.6
Total expenditures and net lending	18.5	17.4	18.4	...	25.9	...	23.0
Overall fiscal balance 2/	-6.4	-6.1	-6.4	...	-14.3	...	-11.5
Current account balance 2/	-6.3	-8.4	-9.1	...	-10.7	...	-13.1

Notes: 1/ In months of imports of good and non-factor services. 2/ Excluding official grants. 3/ PEAP/PRSP targets.

In 2000/2001 alone, the deterioration in the terms of trade is estimated to cause almost a two percent of GDP loss in real income. As the terms of trade improve, the growth rate should pick up. Inflation has already dropped as food prices have stabilized, as a result of better crop output. Therefore, the medium term targets of 7 percent real GDP growth and 5 percent annual inflation remain achievable, if Government continues with its prudent macroeconomic management. Nonetheless, recent developments highlight the vulnerability of the economy to external shocks and the need to diversify production.

### ***Real output by sector***

Industry and services have led the growth of the past decade (Table 2.2). The industrial sector remained buoyant during 1999/2000, despite the adverse effect of external shocks on the exchange rate. Electricity generation increased significantly in 1999/2000 due to refurbishment and the ongoing upgrading of the Owen Falls Dam. Construction and manufacturing activity also increased though the rate of growth of manufacturing was slower than in the previous four years. Services grew by a solid 5.6 percent in 1999/2000. While wholesale and retail trade slowed down, transport and communications continued to expand. The Uganda Railways Corporation, which previously nearly collapsed, continued to recover following the appointment of new management.

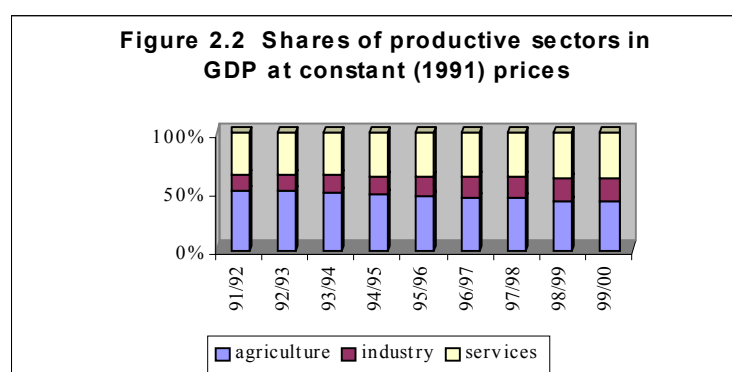
Agricultural production, however, slowed down in 1999/2000 and grew only by 3 percent. The prolonged and widespread drought was partly responsible for the slow down in cash- and food-crop production. In addition, the coffee wilt disease and a decline in international coffee prices contributed to the decline in coffee production.

**Table 2.2 GDP performance by sector (annual growth rates in percent)**

	1995/96	1996/97	1997/98	1998/99	1999/00
<b>Agriculture</b>	<b>4.3</b>	<b>1.1</b>	<b>1.9</b>	<b>6.9</b>	<b>3.0</b>
Cash crops	22.6	13.9	-2.8	14.3	0.7
Food crops	1.3	-2.0	1.6	7.4	3.4
Livestock	9.8	5.7	4.1	3.3	3.0
Forestry	4.4	4.4	4.0	6.1	4.9
Fishing	2.5	4.5	5.0	0.9	0.4
<b>Industry</b>	<b>16.6</b>	<b>11.4</b>	<b>11.7</b>	<b>8.9</b>	<b>8.6</b>
Mining and quarrying	35.7	50.2	34.4	--	5.0
Manufacturing	19.7	13.4	14.4	11.3	8.6
Electricity	10.5	10.1	7.0	6.1	11.1
Construction	13.4	7.2	7.6	7.2	8.5
<b>Services</b>	<b>8.6</b>	<b>5.7</b>	<b>6.6</b>	<b>7.2</b>	<b>5.6</b>
Wholesale/retail trade	10.9	2.3	6.3	9.7	5.2
Hotel and restaurants	9.4	9.1	4.4	2.7	2.2
Transport/communications	11.0	10.6	10.0	8.3	8.0
Owner-occupied dwellings	8.0	8.0	7.0	8.0	8.0
Community services	6.0	6.3	6.0	5.0	5.1
<b>GDP growth rates</b>	<b>7.8</b>	<b>4.5</b>	<b>5.4</b>	<b>7.4</b>	<b>5.1</b>

Source: MFPED

Structural transformation has been slow in Uganda, reflecting the country's strong comparative advantage in agriculture. The share of agriculture fell from 51 percent in 1991/1992 to 42 percent in 1999/2000. The share of industry rose from 13 to 20 percent and the share of services from 36 to 39 percent in the same period (Figure 2.2)



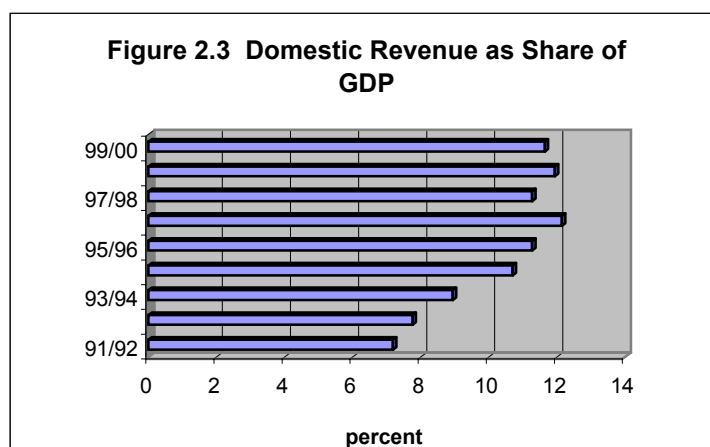
## 2.2 Efficiency and equity of tax regime

### *Domestic resource mobilization*

Mobilization of domestic resources to finance public services in Uganda was low in the 1990s. Following the establishment of the Uganda Revenue Authority, revenue as a share of GDP grew by about one percentage point per annum—from 7.2 percent in 1991/1992 to 12.1 percent in 1996/1997. This recovery stalled after 1996/1997. In the past few years, the domestic revenue to GDP ratio has remained between 11-12 percent (Figure 2.3). The year 1999/2000 was characterized by large revenue shortfalls, and the domestic revenue to GDP ratio declined to 11.6 percent. Tax revenue was lower than programmed across all broad tax categories, mainly because the depreciating shilling reduced demand for imports. The current domestic revenue to GDP ratio is low by the standards of Uganda's revenue performance in 1960s/1970s and by the standards of



other Sub-Saharan African countries (many of which have proportions above 20 percent). Increasing tax rates is, however, unlikely to yield higher revenues.



The current low level of revenue effort reflects deficiencies in tax administration, narrow tax base, low non-tax revenue in the form of Appropriations in Aid, remaining exemptions on income tax, duties on some raw materials and culture of non-compliance and corruption inherited from the 1970s and early 1980s. For example, the problem with VAT collections the existence of serious deficiencies in filing, compliance and collections for the vast majority of firms. Improvements in revenue performance are thus likely to emanate from reforms in these areas. Rectifying the current situation will require significant improvements in efficiency of tax administration and revenue generating capacity of local authorities. Government is implementing a tax administration reform that focuses on modernization of the URA, improvements in tax collection, reduction in smuggling, and is to appoint a new URA Commissioner General.

### ***Poverty focus of public expenditure***

Government's approach to budgetary management and targeting of resources to poverty reducing activities has evolved steadily in the 1990s. The introduction of the Medium Term Expenditure Framework (MTEF) in 1992/1993 and Poverty Action Fund (PAF) in 1998 have been the key instruments ensuring that public resources are allocated to poverty reducing activities specified in the PEAP/PRSP.

### ***Fiscal sustainability***

In 2000/2001, there have been modifications to the fiscal stance due to lower than projected revenues and higher than anticipated expenditures partly as a result of the impact of the depreciation of the Ugandan shilling on debt service payments. However, the net impact on the budget has been positive because the shilling value of donor support has also increased and the import content of poverty-related spending, where donor funding is concentrated, is low. As long as poverty-reduction policy implementation continues to perform well, it is reasonable to expect that the medium-term PEAP/PRSP programs will continue to be consistent with the overall resource envelope.

### ***Medium term expenditure framework***

The poverty reduction strategy is spelled out in detail in sector and district plans that are prepared annually. These are prepared by sector and district working groups that convene regularly to discuss actions and set priorities over the medium-term. In addition to government officials, NGOs, private sector representatives and donors participate in these groups. The sector and district plans are then used to guide the sectoral and district expenditure allocations. In the preparation and prioritization of sector/district plans, however, it is critical that ministries and district governments have a clear idea of the likely level of resources available to their sector or district.

Since the introduction of the PEAP/PRSP, Government has utilized the MTEF to allocate resources and better align the spending priorities articulated in the PEAP/PRSP and in sector and district plans. The MTEF sets sector and district spending ceilings within a rolling three-year framework, taking into consideration the macroeconomic environment and prospects for revenue mobilization. Subsequently the sector and district groups discuss budget options within these expenditure ceilings to meet sector and district priorities. This process culminates in working groups preparing sectoral and district Budget Framework Papers (BFP) that are consolidated into the MTEF. In this sense, any changes to PEAP/PRSP targets are reflected in the MTEF to ensure they are consistent with overall fiscal sustainability.

The MTEF is intended to guide all public expenditure decisions, including the use of resources committed by donors. However, some donor project financing is still not fully incorporated into the MTEF process and is not fully consistent with sector development strategies and the implied allocation of financial resources. Government intends to improve the budget preparation process in two ways. First, by introducing a sector-wide approach, wherever feasible, under which Government and donors contribute to a common pool of resources used to achieve sector objectives. Sector-wide plans/strategies have already been developed in education, health, rural development and main roads, and are currently being developed for water and sanitation and justice, law and order. Second, Government improved comprehensiveness by including in this fiscal year expenditure ceilings for donor-financed projects in the MTEF for 2001/02-2003/04 and onwards.

Further, staffing plans and related wage bill are currently not well integrated in sector expenditure programs within MTEF. The MTEF includes decisions about the wage bill and allocation of human resources. But these are often already determined by decisions about the size of the civil service and public sector pay. In this fiscal year, the Ministry of Education and Sports and Ministry of Health on a pilot basis reflected staffing plans and wage bill in their sector expenditure programs for 2001/02-2003/04, staffing and wage bill plans must continue to lie within the sustainable fiscal envelope.

### ***Poverty action fund***

Within the MTEF, Government has created a Poverty Action Fund (PAF) to ensure that increased funds are allocated to poverty reducing activities specified in the PEAP/PRSP. Initially, the PAF was created to ensure that resources saved from HIPC debt relief were spent on priority programs. Subsequently, the PAF has attracted additional donor funding and has in practice become a mechanism for ensuring the reallocation of the incremental expenditures directly to poverty reducing public services, including primary

education, primary health care, agricultural extension, feeder roads, water and sanitation and law and order.

The share of the PAF in total public spending (including budget support but excluding donor projects) has risen rapidly from 17 percent in 1997/1998 to 24 percent in 1999/2000 and finally to 31 percent in 2000/2001. Government will continue to increase this share over time. Chapter 5 discusses the access to services financed through the PAF in different regions and by different groups.

### ***Achievements and areas for further improvement***

The MTEF and PAF have performed well in terms of containing aggregate spending within the resource envelope and delivering the desired composition of spending. First, the MTEF has delivered exceptionally well in terms of macroeconomic budgetary management and aggregate expenditure control. Second, the MTEF and PAF have enabled Government to deliver major shifts in public expenditure patterns towards social sectors and infrastructure. There has been a substantial and sustained increase in the share going to education and roads (Table 2.3). Third, the PAF has improved financial transparency and accountability by discussing the implementation of PAF programs with donors and civil society on a regular basis. In this way, Government has reassured both donors and civil society that the HIPC debt relief is directed to areas of greatest potential impact on poverty reduction. However, further improvement is required in some areas. These include inter-governmental transfers, deviations from approved budgets, results-orientation of public expenditure programs and costing of the overall PEAP/PRSP program.

**Table 2.3: Sectoral composition of public expenditure  
(percent of total expenditure)**

<b>Sector shares</b>	<b>1997/98</b>	<b>1998/99</b>	<b>1999/00</b>
Roads and works	4.9	6.2	8.2
Agriculture	1.1	1.0	1.4
Education	26.0	26.9	26.2
Health	6.6	6.7	6.4
Security (defense, ISO/ESO, pensions)	14.8	19.8	15.6
Water and sanitation	0.5	1.2	1.3
Law and order	8.9	7.2	7.4
Accountability	0.5	0.6	0.6
Economic functions, social services and multisectoral	4.1	2.7	4.6
Public administration	24.9	20.7	20.5
Interest payments due	7.6	7.0	7.7
<b>All sectors</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

*Notes:* Data exclude externally financed development expenditures, arrears and promissory notes.

***Inter-Governmental transfers:*** One of the negative aspects of the increase in PAF spending has been the proliferation of the number of conditional grants. Virtually all of the recurrent spending financed under the PAF is managed at local government levels. For reasons of capacity, the resources are transferred to local authorities as conditional grants where the end-use of the funds transferred is explicitly identified. The overall share of conditional grants in total transfers to districts has declined from 90 percent in 1994/1995 to about 80 percent in 1999/2000, though the share is projected to rise significantly in the next three years. Currently, there are 27 conditional grants, each requiring its own separate accounting procedures. This has significantly increased the costs at local government levels in administering and accounting for these grants as well

as giving rise to a balkanization of local governments' budgets. In addition, districts collect their own resources and receive unconditional and equalization grants from the center for non-PAF spending. However, the systems of accountability for these resources are weak. Since May 2000, Government has commissioned a review of the current fiscal transfer system, with a view to streamlining these processes, and a monthly reporting system has been launched for the accountability of all resources.

***Deviations from budget:*** Another area that requires attention are the discrepancies between budgeted and actual expenditures. Annual outturns, in particular in 1997/1998 and 1998/1999, have deviated from approved budgets, reflecting the difficulties in holding sectors to their budgets (Annex Table 1). In 1999/2000, budget management achieved a far closer correspondence between sectoral budgets and outturns than in previous years. In 1999/2000, in order to promote budget discipline, Government launched an annual Budget Performance Report, which analyzes discrepancies between budgeted and actual expenditure. Henceforth this report will be published annually in time for the budget framework consultative workshop. In addition, Government intends to introduce semi-annual and eventually quarterly budget performance reports for all parts of Government.

***Results-orientation of sector plans and expenditure programs:*** Sector plans and expenditure programs are currently focusing on inputs rather than outcomes. To ensure that managers focus on real progress towards PEAP/PRSP objectives, Government has continued efforts to establish output and outcome goals and targets at the sectoral and district levels within the MTEF in the past year. This will build upon existing efforts to align the Output-Oriented Budgeting and Results-Oriented Management initiatives. The road, education, health and water and sanitation sectors introduced output and outcome measures in their 2000/01 Budget Framework Papers (BFPs). These will become more focused and streamlined in the BFPs for subsequent years during which the justice, law and order sector will also introduce output and outcome measures.

***Costing of PEAP/PRSP programs:*** Since completion of the PRSP in May 2000, Government has prepared initial estimates of costs of PEAP programs to reach the set targets. The costing was based on anticipated financial requirements to meet the initial PEAP/PRSP targets. The requirements were derived from discussions with sector line ministries, but are necessarily somewhat tentative. This work has revealed a significant gap on the order of 37 percent between current and required spending levels to implement the overall PEAP/PRSP program. Roughly 25 percent of the gap is accounted by pay reform. Since then, further adjustments have been made. The initial estimates imply that the implementation of the PEAP/PRSP and reaching the set targets will take longer than initially expected and that Government needs to prioritize different actions to get a more realistic program which can then be used to guide the MTEF. This will happen automatically every year through the MTEF process. In addition to phasing the implementation of activities, other options Government is considering for bridging the gap include achieving a higher implementation rate for donor resources than projected (depending on absorptive capacity); increased tax collection; efficiency savings; and cost sharing. Also, since the estimates were prepared, Government has adjusted some of the planned reforms, given the resource constraints. For example, since the initial costings were made, Government has revised the pay reform strategy so that it is consistent with the MTEF. Further, as will be discussed in Chapter 5, the PEAP/PRSP targets have been revised. Given the changes, Government views costing as a regular exercise that will be addressed through the MTEF process, in addition to periodic longer run costings that help to guide strategic allocations.

### 2.3 Enabling the private sector

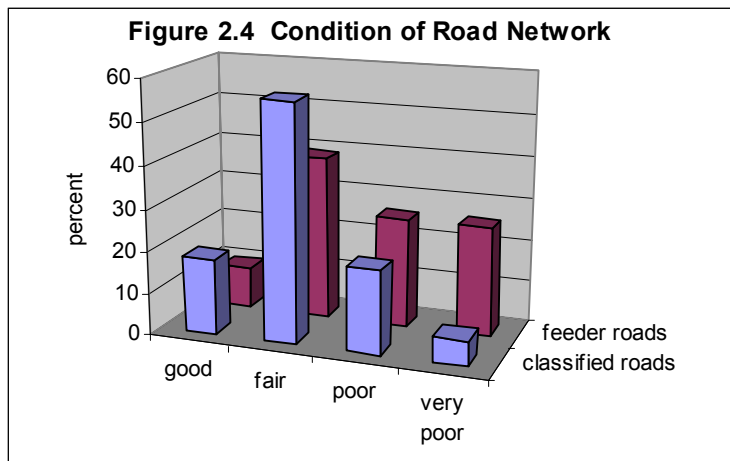
One of the central tasks of Government is to provide an enabling environment for the private sector in order to increase private investment. In 1999/2000, Government prepared a comprehensive *Medium-Term Competitive Strategy (MTCS) for the Private Sector (2000-2005)* to deal with major constraints to private sector development. The MTCS focuses on the following elements: infrastructure provision (electricity, communications, roads); financial sector; commercial justice sector; and export promotion.

**Electricity:** Inadequate and unreliable electricity is ranked as the most binding infrastructure constraint to growth by most firms. In 2000, installed electricity generation capacity increased from 180 MW to 260 MW. This capacity is adequate to meet current demand during off-peak hours, but is 20 MW short during the peak demand periods. Government is currently in the process of privatizing the Uganda Electricity Board (UEB). In 1999, Government engaged a new management team to manage the UEB before its privatization. The new management's commercial approach has been successful in improving performance of tariff collection to 90 percent in 2000.

**Communications:** Major reforms have taken place in the communications sector. The monopoly of the former Uganda Posts and Telecommunications Corporation has been abolished with the enactment of the Uganda Communications Act, which established the Uganda Communications Commission as a new sector regulator. A new public sector telecommunications company, Uganda Telecommunications Limited (UTL), has also been created. Postal services have been separated from the communications services and a postal savings bank is to cater mainly for the rural areas. Government eliminated the state monopoly of the radio and television already back in 1996.

Despite these reforms, telecommunications still constrain private sector growth, even though there has been a major surge in the growth of mobile phones. The cost of telecommunications remains high. In order to promote competition and increase geographical coverage, Government is planning to develop competition policy and enforce rules against anti-competition.

**Roads:** Independent surveys of investor attitudes rank the poor road network as the second leading infrastructure constraint in Uganda. The road transport system in Uganda comprises about 10,000 km of classified main roads (trunk, secondary and tertiary), about 23,000 km of district feeder roads, 3,000 km of urban roads, and 30,000 km of community access roads. An estimated 25 percent (2,500km) of the classified main roads are paved to bitumen standards. The condition of the classified roads varies (Figure 2.4).



To improve the condition of the road network, Government has developed a 10-Year Road Sector Development Program (RSDP) for the classified road network. RSDP focuses on the rehabilitation, maintenance and selective upgrading of existing roads, with emphasis on improvement of main paved and gravel roads. The operation and maintenance of local infrastructure facilities is being carried out through the direct involvement of beneficiaries, district authorities and communities. In 2000, work was ongoing on a number of roads. Government also prepared a White Paper on strategy for improvement and management of feeder roads in order to improve transportation and access to markets in rural areas. An issue of importance for poverty reduction, which Government is considering in the geographical allocation of roads and whether some distributional correction should be used to adjust rates of return.

RSDP is implemented by the Road Agency Formation Unit (RAFU). A major reform in the sector has been the move to performance-oriented management by RAFU. Recently, RAFU has assessed, among other things, the road safety in Uganda.

### ***Financial sector***

Financial sector plays a critical role in private sector development. The performance of the financial sector has improved, but access to financial services, particularly in rural areas, remains a problem, as do the real levels of interest rates. In 1993, Government launched a financial sector reform program. Weak banks were restructured, insolvent banks closed, and banking supervision strengthened at the Bank of Uganda. Capital requirements for all banks have been increased and a new Financial Institutions Bill, that includes provisions for prompt corrective action by the Bank of Uganda for non-compliance with a number of regulations, is currently before the Parliament. The ratio of non-performing to total assets has fallen and banking system profitability has improved. The reform did suffer a setback, however, when the privatization of the Uganda Commercial Bank (UCB) failed due to fraudulent behavior by the buyer and the Bank of Uganda had to seize management control. Since then, Government has regained complete ownership of UCB and is now in the process of preparing for its re-privatization.

Work on improving the regulatory environment, including strengthening bankruptcy law is ongoing. Other reforms in the financial sector aim at improving access to credit by

micro and small enterprises (including preparation of a new Micro Finance Bill and putting in place a light regulatory framework) and implementing pension reform.

### ***Commercial justice***

A well functioning commercial justice system with impartial contract enforcement is essential for private sector development. The administration of commercial justice, however, continues to be highly inadequate in Uganda. While the country's commercial legislation is considered to be fundamentally sound, there are major problems with the commercial courts, Land Registry and Companies Registry. Interviews with business people showed that the Commercial Court and the Magistrates Court fail to provide satisfactory services to the private sector and have substantial case backlogs. Delays result from excessive and inappropriate use of injunctions, frequent adjournments, missing files and failure to list the case. In May 1999, there were approximately 5,000 pending civil cases before the High Court. At the Magistrates Court level, there were estimated to be 60,000 civil cases<sup>3</sup>, pending in the Chief Magistrates Courts alone.

Government is planning to increase the number of commercial judges, and in the interim hire experts with the necessary experience to handle complex commercial cases. It plans to integrate the recruitment authorities of all judicial staff; change the civil procedural rules to reflect international best practice; divest the commercial registries; and promote private sector mechanisms for resolving commercial disputes. Given the case backlogs, it is important to make use of alternative dispute resolution techniques, including mediation and arbitration. Finally, Government is implementing a 'Case Backlog Clearance' project.

### ***Export promotion***

Given the limited domestic market, regional cooperation is an important part of Uganda's export promotion strategy. In November 1999, a treaty was signed establishing the East African Community (EAC—Uganda, Kenya and Tanzania). The treaty is intended to consolidate a market where producers can have access to the 81 million people in the EAC countries. In the past year, progress has been made in the implementation of the Treaty. Governments in the region have agreed on the removal of suspended duties on any goods genuinely produced in East Africa. Kenya is to apply a 90 percent tariff reduction on imports from Uganda. Government has also set up a multi-sectoral Technical Task Force to select strategic areas for export promotion.

### ***Tertiary education***

Efficiency at Makerere University has increased and financial dependency on the state reduced, with enrollment more than doubling from 9,369 in 1995/1996 to 20,368 in 1999/2000. The proportion of private sponsored students at Makerere has also increased to over 70 percent in 1999/2000. While public spending on education more than doubled between 1995 and 2000, the allocation to Makerere University increased only by 7 percent. Beyond the public sector, there has been an expansion of private universities, the best of which offer novel courses responsive to local demand. The net result has been a marked increase in the quantity of university level education in Uganda, without imposing an unsustainable burden on the state budget.

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<sup>3</sup> Civil cases are not exclusively commercial; separate data on commercial cases are not available.

## Chapter 3

### Good governance and security

The importance of good governance for poverty eradication has been increasingly recognized. Governance issues pervade every sector of Government and impact the effectiveness of public service delivery and thereby poverty eradication in a major way.

#### 3.1 Efficient delivery of public services

##### *Decentralization*

To improve service delivery on the ground, Government has begun to decentralize the delivery of health, education, water and agricultural extension services to local governments. The key challenge facing this effort is to improve the capacities and incentives of local governments so as to promote more effective planning, management and implementation of services.

Since the completion of the PRSP in May 2000, eight new districts with attendant administrative structures were created. While this has political benefits in increasing local autonomy and ownership, it comes at a cost. Government is concerned about the increasing burden of related administrative costs and recognizes that in the future it will be important to restrict any further expansion in the number of districts and seek efficiency savings wherever possible.

##### *Human resource management*

Effective human resource management is critical for service delivery. There are, however, a range of constraints in human resource management that hinder hiring, deploying and managing personnel in the education, health and water sectors. First, there is a shortage of qualified applicants. Second, the capacity at the district-level to undertake routine human resource management functions is limited partly due to inadequate resources. Third, there are substantial delays in getting new staff onto the government payroll once they are appointed: in 2000, the delays in primary schools varied between 6 and 16 months, and in health facilities between 3 and 7 months. Among other things, the delays are caused by problems in completing the relevant forms accurately and processing them. Fourth, the setting of establishment ceilings for staff levels is highly-centralized and adjustments are not made frequently enough. These constraints are particularly acute in the education sector, where Government has been unable to recruit adequate numbers of teachers for primary schools.

In January 2001, to address these problems in recruitment and payroll management, Government prepared an action plan to streamline the recruitment process and expedite access to government payroll. In addition, in 2000, Government initiated a recruitment drive for primary school teachers, increased enrollment in teacher training programs and provided further training to unqualified teachers currently in service. Broader human resource management issues that need to be addressed include the need for better performance appraisal, codes of conduct for staff, staff development and meritocratic promotion throughout Government.



## ***Pay reform***

Most civil servants are better off than most of the Ugandan population, as will be discussed later in Chapter 4. However, pay for managerial, technical and professional staff is currently not competitive, which is adversely affecting the performance of public service delivery.<sup>4</sup>

Government intends to carry out a pay reform with the objective of increasing the effectiveness service delivery. In the past year, Government has made progress in the design of the pay reform strategy. The main equity concern of the reform will not be equalizing pay among civil servants, but making sure the poorest people in society get good access to services. For this reason, pay reform will be targeted at those areas where better service delivery is being severely constrained by lack of adequately qualified people as a result, among other things, of poor pay. The achievement of the 'equity' objective of reducing pay differentials in the civil service will remain a long-term objective. Because uncertainty about the real value of the pension can be a very strong incentive for corruption, the pay reform strategy will also lay the foundation for further work to be done on pensions.

### **3.2 Accountability and transparent and efficient public expenditure**

Public sector managers must be accountable in terms of service, actions and how the resources are utilized to serve the people. The level of corruption remains high in Uganda. Transparency International's latest index of corruption, that is based on businessmen's perceptions, ranks Uganda 73rd out 85 countries (that is, as the 13th most corrupt country in the sample). Further, the number of complaints per month that the Inspector General of Government (IGG) receives rose from 143 in 1997/1998 to 399 in the first six months of 2000.<sup>5</sup> In 2000, Government took a number of actions to improve transparency and efficiency of public expenditure and reduce corruption.

#### ***Anti-Corruption***

The Government's Strategy and Plan of Action to Fight Corruption and Build Ethics and Integrity in Public Office was published in June 2000. Actions to be undertaken under the plan include the implementation of public procurement reform, publication and execution of the Leadership Code, strengthening the Auditor General and other enforcement agencies, review of the legal framework relating to corruption and nurturing and empowering of civil society to monitor and hold Government accountable. In 2000, to improve detection, investigation and prosecution of corruption, Government published and tabled the Leadership Code Bill and IGG statutes in Parliament. Further, to monitor corruption, Government and donors initiated a process to develop monitoring indicators to assess progress in fighting corruption.

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<sup>4</sup> This contrasts with the findings of the market-comparator study. The reason seems to be partly that the market-comparator study used commercial, rather than NGO, comparisons for lower-level service delivered such as health workers and teachers. For instance, the introduction of lunch allowances led to some movement of personnel from the NGO sector into the public sector, and workers in some NGO facilities are paid less than workers in some public facilities and expected to work longer hours.

<sup>5</sup> This increase may, of course, reflect increased public awareness and the opening of regional offices rather than intensification of corruption.

## ***Procurement***

A high proportion of grand corruption cases result from procurement. In late 2000, Government gazetted new procurement regulations for ministries, departments and agencies, which now need to be implemented and enforced. Under the new regulations, the role of the Central Tender Board is to guide and supervise the work of procuring entities (which are government departments and other public corporations or statutory bodies). Each procuring entity is to establish a contract committee that will be responsible for awarding contracts. Open tendering will be required, except for projects under a specified limit or in other specified circumstances. Nationality may not be used to exclude a contractor, and advertisement must be used to attract foreign competition in cases where this is necessary for effective competition. Part of the procurement reform is to privatize National Medical Stores. Government is currently developing a plan for their privatization.

## ***Financial management and expenditure tracking***

Financial management both in central and local governments is weak. While Uganda has a relatively good budgeting system, accounting for public expenditures using the present manual system is weak because of disregard for timely and regular recording of transactions, side-stepping of controls and lack of financial discipline. Similarly, findings of audit reports are not regularly followed up and public accounts contain a number of material non-reconciled balances. There is an acute shortage of qualified accountants, and given the administrative burdens imposed by conditional grants, there is little accountability on non-PAF related spending in local government. Finally, there is lack of certainty on the use of non-tax revenue in the form of Appropriations in Aid. Although in principle all non-tax revenue should be collected in the single treasury account, there is no complete knowledge of what fees/levies are collected by various government departments.

In past twelve months, Government has taken several steps to improve financial management. First, a coordination mechanism for monitoring reform programs in financial management has been established. Second, to reduce fiduciary risk at the central government level, preparations for introducing consolidated quarterly reports on budget implementation for 2001/2002 has been made. Third, Government has decided to appoint additional accounting officers at the central and district levels. It already appointed an internationally qualified accountant as Auditor General. Government intends to introduce a comprehensive system to monitor expenditures through an Integrated Financial Management Information System (IFMIS) at the central Government level and eventually plans to extend it to local levels. This effort will strengthen budget management and expenditure tracking for all sectors. Preparations for the system introduction have started. In the meantime, given the weakness of current financial management, Government has decided to carry out expenditure tracking studies on a regular basis to obtain information on actual spending.

## ***Expenditure commitment and control***

Expenditure management at the central level has been strengthened through the Commitment Control System (CCS) that currently covers non-wage recurrent expenditure in all central Government ministries. At the end-June 2000, unpaid bills had fallen by about 80 percent from a year earlier. In 2000/2001, the system will be

extended to cover the development budget, and there are medium-term plans to extend it further to local governments.

### ***Mechanisms for bottom-up accountability***

To promote accountability, Government has created mechanisms for user participation in public service delivery. For example, each primary school is expected to have a Parent-Teacher Association (PTA) and School Management Committee where parents are represented. Each Government health unit is also expected to have a Health Unit Management Committee with civil society representation. Further, local population is to participate in the development of local development plans. In some cases, however, these structures are of limited efficacy. For example, the 2000 tracking study found that PTAs are ineffective and that headmasters have control over resources within the school. Further, district and sector plans do not adequately reflect community priorities. In 2000/2001, in order to improve the situation, Government has started to promote a harmonized framework for civil society participation in public service delivery and mainstream the activities of NGOs and faith-based organizations. To this end, it has recently established computerized databases on NGOs and faith-based organizations which will, inter alia, increase transparency and improve accountability.

### ***Public information***

There is, however, limited access to public information to empower citizens to demand greater accountability. In 2000, Government reviewed the Official Secrets Act in light of best practice regarding access to government information. In addition, Government is preparing a Bill on the rights of access to Government information, specifying the procedures to obtain different classes of Government information. Also, in 2000, Government issued a number of user-friendly documents to explain the budget process and the PEAP. Further, information on transfers of conditional grants to districts is now published in the media on a regular basis. Public notices of transfers received have also become mandatory in schools. Also, Government is currently formulating an Information and Communications policy.

## **3.3 Monitoring and evaluation of public sector performance**

In order to determine whether the effectiveness of public service delivery is increasing and progress is made in poverty reduction, it is important to strengthen the monitoring and evaluation (M&E) processes. M&E currently remains overly centered on compliance with government rules and regulations and tracking inputs and processes, rather than the end of results of policy, program and project efforts. The collecting, organizing and using of M&E data are compartmentalised and fragmented between multiple government and donor planning and progress reporting requirements. Government is burdened with reports, but have little systematic information about the performance and effectiveness of actual public service delivery.

In 2000, Government established a task force to prepare an action plan to streamline and strengthen M&E. Also, in 2000/2001, Government has worked on a national poverty monitoring strategy which it intends to finalize in 2001. Further, harmonizing of different project progress reporting formats has started, with potentially substantial savings for Government.

### 3.4 Democratisation and human rights

Issues of democracy include freedom of speech, freedom of association, freedom of choice and involvement in policy and decision-making. There is an improvement in the freedoms of choice and speech. The participation of the entire population in electing leaders in their areas of jurisdiction is one such example. Local leaders all the way down to village level are not appointed but elected by the people. Also, the country is conducting in March 2001 its second Presidential election since the NRM came to power in 1986. The election is being vigorously contested by six candidates.

While there has been some consolidation of the democratic process in Uganda, it needs to be further strengthened. Among other things, building a democratic culture calls for a re-alignment in the way that Government handles issues relating to the Freedom of Association. In June 2000, a referendum was held on the political system. The majority of voters supported the retention of the existing Movement system, where people run for office on individual merit rather than as representatives of political parties. A Constitutional Review Committee to report in 18 months has been set up to review contentious issues on the constitution and also eliminate contradictions.

Available data for the year 2000<sup>6</sup> indicates that there are over 17,000 persons in strategic decision-making positions<sup>7</sup> in Uganda, 39 percent of whom are women. The level of participation of women in decision-making varies considerably by sector and by administrative level, as illustrated in Table 3.1. The relatively high level of female participation in local Governments is one of the positive effects of affirmative action by Government, which reserves at least one third of the seats on the local government councils in Uganda for women. According to Johnson (2001), the affirmative action for women, youth and the disabled has rapidly changed the decision making environment at the political level, with women finding it less constraining getting involved in local events.

**Table 3.1: Percentage of women among the decision makers in 1999**

<i>Administrative Level</i>	<i>Major Sector</i>		
	<i>Political</i>	<i>Non-political</i>	<i>All Sectors</i>
Central Government	19	13	14
Local Government	45	10	42
All Levels	44	12	39

In general, human rights in Uganda have continued to improve. However, major human rights concerns on which further progress is needed remain: the atrocities perpetrated by rebels; the living conditions of internally displaced people; the living conditions of prisoners; length of detention especially of prisoners on remand; and the occurrence of torture in places of detention, and the need for a sensitive approach to the disarmament of Karamoja.

<sup>6</sup> Ministry of Gender, Labour and Social Development and Uganda Bureau of Statistics (2000). Women and Men in Uganda – Facts and Figures. Sectoral Series: Decision-Making.

<sup>7</sup> The definition of decision-makers here was limited to the public sector, including the Executive, Legislature/Parliamentarians, the Judiciary, the Public Service, Local Governments, in addition to any other bodies that are decision-makers as prescribed in the Ugandan Constitution.

### **3.5 Justice, law and order**

A sector-wide approach is currently being introduced into the justice, law and order sector, covering civil, criminal and administrative justice. In the past year, progress has been made on that front. The aim is to develop an integrated approach to the prevention and punishment of crime.

The number of reported crimes recorded in Uganda steadily increased between 1995 and 1998 from 40,297 to 46,933 and shot up sharply to 66,030 in 1999. The increase in crime rates is confirmed by the rise in the prison population (mainly of remand prisoners) and by the household survey, where about twice as many households report experiencing crime in 2000 than in 1992.<sup>8</sup> The most common crimes are theft, assault, defilement and burglary. The incidence of crime varies across regions, the Central region coming out worst.

The police in Uganda have a worse reputation than any other public service, which itself reduces its effectiveness in dealing with crime. For example, the household survey shows that most victims of crime do not go to the police in the first instance, and about half do not report the crime at all. A Commission of Inquiry in the police force has been carried out under the Ssebutinde Commission. The implementation of its recommendations will go a long way in addressing the problems in the police force.

### **3.6 Security**

While many areas in Uganda enjoy peace and development, a number of areas continue to be affected by armed conflict and other forms of insecurity. First, the activities of the Lord's Resistance Army, which has operated in Northern Uganda and sometimes in Southern Sudan since the late-1980s, affect parts of the North. Second, cattle-rustling affects the Northern and Eastern regions. The culture of cattle-rustling among the Karamojong pastoralists has become more ruthless in recent years, partly because the Karamojong have re-engaged in armed conflict with tribes in Kenya and acquired significant amounts of weapons since 1997. The UN estimates that cattle-rustling led to the displacement of 90,000 people in 2000. Third, the activities of the Allied Democratic Front (ADF) with bases in Congo emerged in the late 1990s. In 1999, two of these crises intensified: the problem of cattle-rustling due to drought and the infiltration by the ADF in Bundibugyo.

These developments are mirrored in the UN's data on people affected by emergency (Table 3.2). This number surged from 653,000 in November 1998 to over 1.2 million in May 2000. The increase in numbers is confirmed by the household survey. Of the households surveyed, 10 percent had been affected by civil conflict in 2000, whereas only 7 percent had been affected in 1992.<sup>9</sup>

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<sup>8</sup> The 1992 data is retrospective, so there may be some bias in this result.

<sup>9</sup> The use of retrospective data may exaggerate the increase. These figures do not include the most affected areas of Gulu, Kitgum, Kasese and Bundibugyo, which certainly biases them downwards as national estimates.

**Table 3.2: People affected by emergency**

<i>End of:</i>	<i>November 1998</i>	<i>September 1999</i>	<i>May 2000</i>	<i>September 2000</i>	<i>November 2000</i>
Refugees	183,695	196,251	201,427	202,000	213,872
Internally displaced persons	469,525	529,215	736,004	639,760	610,240
Abducted children	0	4,804	4,804	5,044	6,063
Drought-affected	0	0	300,200	190,000	190,000
Total	653,490	730,270	1,242,435	1,036,804	1,020,175

Government has taken the following actions in the last year and a half to improve security:

- Military operations in Congo designed to eliminate the ADF threat and activities of some genocidal forces.
- Participation in the Lusaka accord of 2000.
- The Amnesty Act of January 2000, which encouraged rebels to return and reintegrate in Ugandan society.
- The programme for disarmament of Karamoja which is being launched in February 2001.

### **3.7 Disaster preparedness**

Although Uganda is not among the most high risk disaster countries, occasionally, natural calamities befall the country including earthquakes, landslides, floods, and epidemics. In July 1999/2000, acute food shortages and lack of water, as result of drought, were affecting significant areas of the North and the West. In 2000/2001, Ebola fever infected about 250 people and caused about 80 deaths mainly in the North by the end of November, but the outbreak was contained with a smaller fatality rate than most similar outbreaks.

A National Policy Framework on disaster management in Uganda has been formulated and approved by Cabinet. Further, a comprehensive Disaster Management Bill was recently tabled in cabinet for approval. The Bill calls for the creation of a Disaster Management Commission which will be responsible for coordinating responses to emergencies.

## Chapter 4

### Increasing the ability of the poor to raise their incomes

#### 4.1 Introduction

Direct efforts at assisting the poor to raise their incomes are a central component of Uganda's poverty eradication strategy. The PEAP/PRSP emphasized two strategic priorities to deal with this challenge: first, higher agricultural growth; and second, increased non-farm employment in the rural areas where most poor people live. This chapter addresses three concerns. First it summarizes the new evidence of how the incomes of the poor have evolved during the 1990s. Using data from the 2000 UNHS, it identifies where the major gains have been achieved, and which groups seem not to have benefited from the restoration of steady growth during the past decade. Second, the chapter reports on insights gained from these data on the constraints facing farm and non-farm enterprises in rural areas. Finally, the chapter reviews the actions that Government is taking to help the poor to raise their incomes

#### 4.2 Changes in household consumption

This section relies mainly (though not exclusively) on real household consumption as the measure of economic welfare. Between 1997 and 2000, mean real consumption per capita in Uganda grew by 22 percent (Appleton, 2001).<sup>10</sup> The pace of consumption growth recorded in the surveys for the 1990s is not consistent with the national accounts data. While further analysis is needed therefore to validate the survey trends, the direction of change and the patterns of growth are likely to be robust.

Not all groups benefited to the same extent. The increase was larger (42 percent) in urban areas than in rural areas (15 percent). And there are differences across regions. Per capita consumption levels in the North have declined since 1997. The consumption gains were largest for the top decile (the richest 10 percent of the population) which saw its real per capita consumption levels increase by 20 percent. Consumption levels of the poorest decile grew by just 8 percent during this period. The Gini ratio increased towards the end of the decade—from 35 percent in 1997 to 38 percent in 2000—indicating growing inequality (Table 4.1). Taking the decade as a whole, there appears to have been very little change in consumption distribution *within* urban and rural areas. This suggests that it is the widening rural-urban gap that is responsible for worsening inequality (although increased intra-urban inequality does seem to have widened in the last three years).<sup>11</sup>

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<sup>10</sup> Consumption levels are adjusted for changes in the average price level over the period. The trends reported in this chapter are based on a representative sample of households taken in 1992 and 2000. However, four districts (Bundibugyo, Gulu, Kasese and Kitgum) were excluded from the survey because they were deemed insecure.

<sup>11</sup> The 1992-2000 changes in the Gini coefficient in both urban and rural areas are not statistically significant, whilst the small increase in the overall Gini is. These findings are consistent with Deininger's (2001d) analysis of inequality over the 1992-2000 period. He finds that in decompositions of the Theil index, it is the increasing inequality between urban and rural areas that dominates. However, the analysis also suggests that widening inter-regional inequality is also important.

**Table 4.1: Gini coefficients, 1992, 1997 and 2000 (percent)**

	<i>Rural</i>	<i>Urban</i>	<i>National</i>
1992	32.6	39.4	36.4
1997	31.1	34.5	34.7
2000	32.2	40.4	38.4

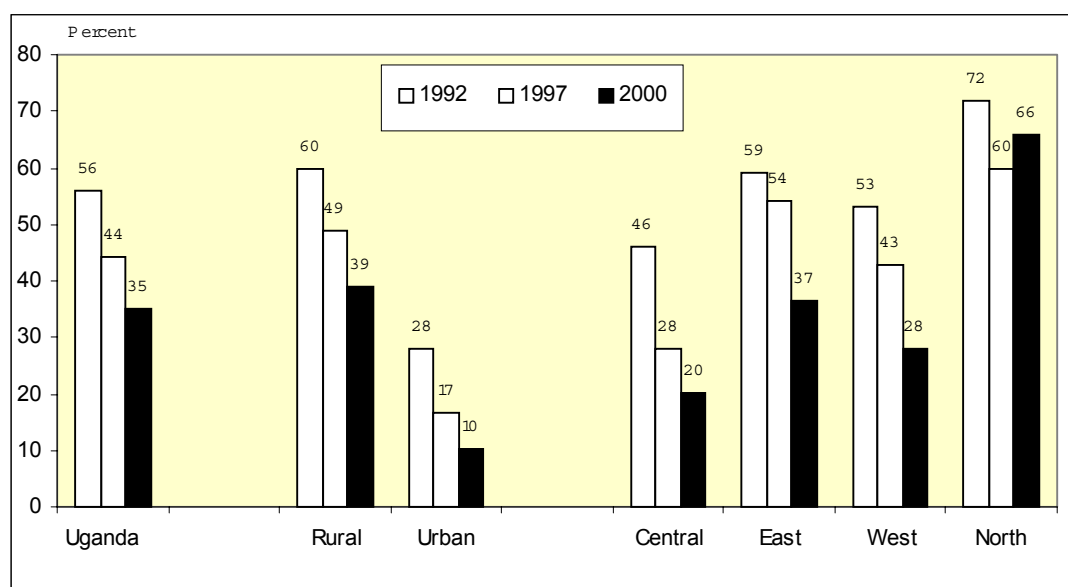
Source: Appleton, 2001

*Evidence for the decade as a whole, and since 1997 especially, points to increasing inequality during this episode of economic growth. This is associated with a widening gap in the living standards of rural and urban areas. Action is needed to address the slow growth in rural incomes, and to monitor changes in inequality over time.*

### 4.3. Changes in consumption poverty

In 2000, 35 percent of Ugandans were not meeting their basic consumption requirements (that is, they are living below the poverty line), a significant reduction from the 1997 level of 44 percent (and 56 percent in 1992—Figure 4.1). Poverty in Uganda continues to be a rural phenomenon, with 96 percent of the poor living in rural areas in 2000. Poverty fell in both rural and urban areas over the 1990s, with the reduction more pronounced in urban areas.

**Figure 4.1: Incidence of consumption poverty, 1992 – 2000.**

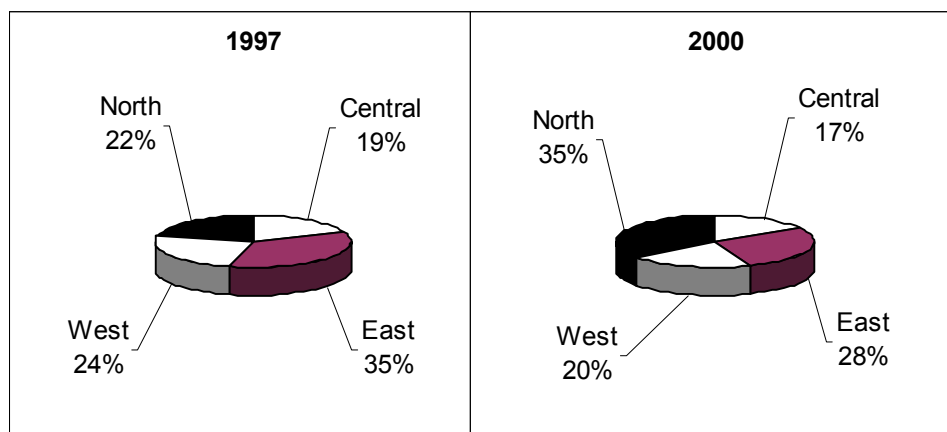


Source: Appleton, 2001

The North and East have the greatest concentrations of the poor population. The East has experienced a very sharp fall in the incidence of consumption poverty—around 700,000 people being lifted out of poverty between 1997 and 2000. But poverty in the North has *risen* by 8 percent between 1997 and 2000, leaving two thirds of its population below the poverty line. Moreover, the poverty gap and the depth of poverty have increased in the rural areas of the North. As a result the North has replaced the East as contributing most to national poverty (Figure 4.2) due entirely to declining living standards in rural areas.



**Figure 4.2: Regional shares of the poor population in 1997 and 2000**



Sources: UBOS: MS-4 (1997); UNHS (2000)

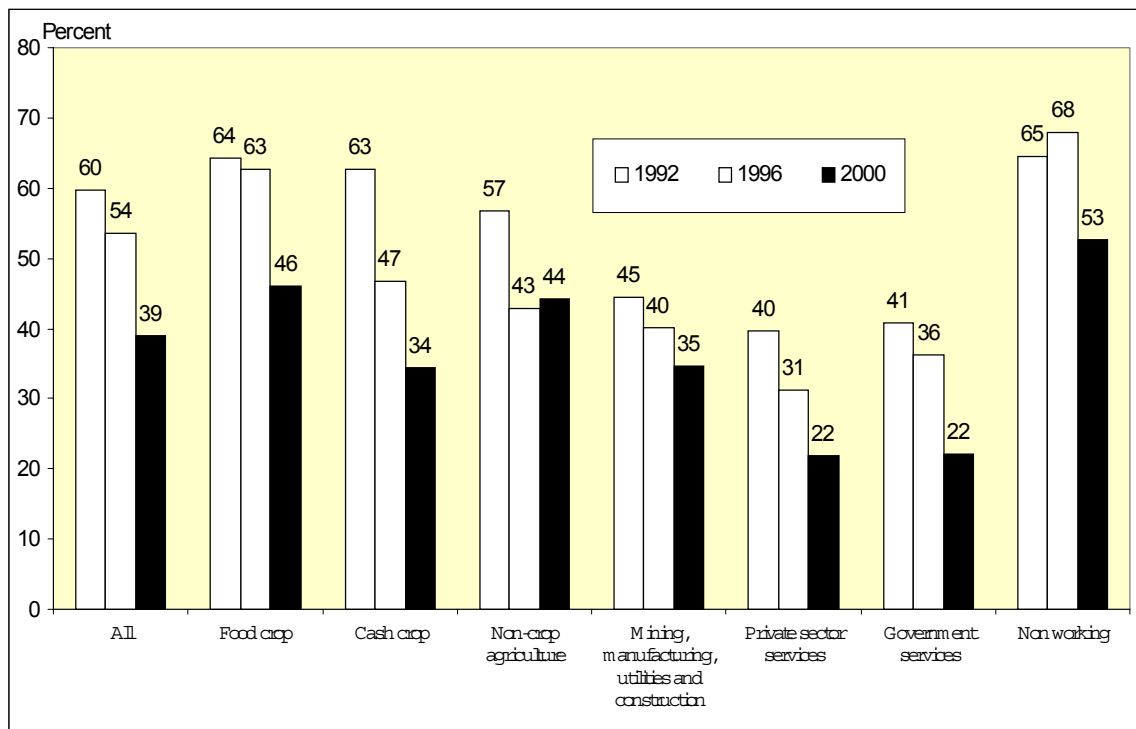
*Recent evidence of a growing poverty problem in the North at a time when poverty has been falling elsewhere (especially in urban areas) is a matter of great policy significance. This was not evident in the data that were available at the time the PEAP/PRSP was prepared, and must now be the focus of government action. Such action must be targeted at improving rural livelihoods.*

#### **4.4 Poverty by socioeconomic group**

To gain a deeper understanding of the distribution of growth, it is useful to disaggregate households according to their main source of income. The reductions in rural poverty experienced during the 1990s appear to have been broad-based, and to have benefited most groups (Figure 4.3). The only rural group that seems to have experienced increased poverty (at this level of aggregation) are households engaged in non-crop agriculture—a small group representing just 3 percent of the rural population. The ban on European Union fish imports from Uganda and the drought are likely explanations. Since 1997, however, most rural groups in the North have seen their poverty worsen, with the exception of cash crop farmers. In urban areas of the country all groups benefited (Figure 4.4), but gains among households where the head is engaged mainly in private sector services (over 50 percent of the population) and agricultural activities (15 percent) are particularly important.

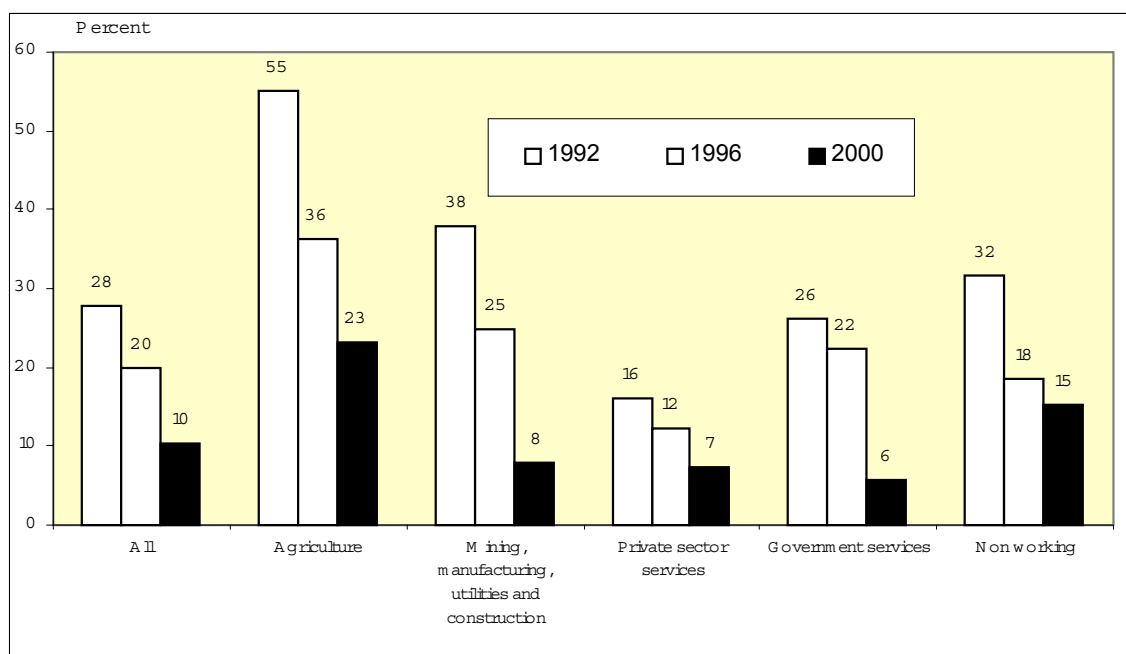
*Looking across the groups of economic activity, economic growth since 1997 appears to have been broad-based. The main exceptions are rural households where the head is engaged mainly in non-crop agriculture, and rural households generally in the North. The reasons why these groups have not benefited from recent growth need to be understood better, and the poverty strategy attuned to their needs.*

**Figure 4.3: Incidence of rural consumption poverty by main occupation of household head, 1992, 1996 and 2000**



Source: Appleton, 2001

**Figure 4.4: Incidence of urban consumption poverty by main occupation of household head, 1992, 1996 and 2000**



Source: Appleton, 2001

#### **4.4. Poor people's perceptions**

According to the Uganda Participatory Poverty Assessment Project (UPPAP) the poor view poverty at several levels. At the individual level, they identified tangible manifestations, including a lack of basic necessities like food, shelter, clothing, and a lack of productive assets, such as land and labor. But they also saw poverty manifested in non-tangible terms. Poor people have no social networks and support (often being widowed, and having no children, or relatives), no formal education and skills, poor health, and are isolated, voiceless and powerless in the community. They also emphasized vulnerability to shocks. At the household level, they pointed to large families as a cause of poverty, as well as excessive alcohol consumption and domestic violence. Lack of access to markets and market information was also important. Finally they emphasized limited basic community services like schools, health facilities and roads.

Participatory data show that many communities feel poverty is increasing. The data differ from the household survey data in a number of ways, which have been explored by a recent analytical comparison of the two approaches (McGee, 2000). The sample selected and regional focus were different. The UPPAP deliberately selected poor districts whereas households were randomly selected in the surveys. The reference period most often mentioned in the UPPAP discussions was the 1960s rather than changes during the 1990s covered by the surveys. The implicit measures of wellbeing were much broader than the survey data. The difficulties in linking the UPPAP field reports with survey data need to be addressed. The next UPPAP round (scheduled later in 20001) will be more closely linked to the survey sample clusters.

#### **4.5 Causes of poverty trends**

The panel data obtained from the 1992 Integrated Household Survey (1992 IHS) and the 2000 UNHS provide an opportunity to identify the factors that help households escape from poverty. Deininger (2001d) has highlighted the following important determinants of household real consumption growth during the 1992-2000 period (all estimates adjust for the influence of other factors):

*Asset ownership:* households with larger initial endowments of assets were more likely to experience consumption growth and poverty reduction.

*Electricity:* Those with access to electricity in 1992 were predicted to have income growth of between 2 and 4.5 percentage points higher than those with no access. Electricity interacted with education in enhancing income growth.

*Health:* Households with an illness in 1992 saw their expenditures increase by about 1.3 percentage points less than those with no health problems. Good health is shown to be particularly important in improving the prospects of escaping poverty.

*Civil strife:* Households affected by civil strife in 1992 experienced income growth about 1.4 to 1.8 percentage points lower than others. Civil strife had an even greater impact on the probability of falling into poverty.

*These results show that household consumption growth (and the escape from poverty) is systematically influenced by the characteristics of the household and the environment in which it functions. They highlight the close interactions between different dimensions*

of poverty. While enhancing the health status and security of Ugandans are important goals in their own right, this research shows that they are also important factors in reducing consumption poverty.

#### 4.5 Poverty reduction and agricultural development

The PEAP/PRSP emphasizes the strategic role of agricultural development in poverty reduction. Recent trends have confirmed that the growing rural-urban income gap is responsible for increasing inequality during the 1990s recovery. Most of the poor live in rural areas (96 percent) and most of these (84 percent) depend primarily on agriculture for their livelihood. There has been a substantial fall in poverty among crop farmers—especially those producing cash crops such as coffee and other high value crops. Coffee growing areas benefited from liberalized markets and the high world price of coffee, which peaked in 1994. Table 4.2 reports the changes in real prices received by producers for different crops between 1992 and 1999, and the response in terms of number of growers per crop and output per farmer.

**Table 4.2 : Changes in real producer prices, number of growers and output by crop 1992-1999.**

Crop	Price per kg.			Percent of producers growing:		Mean output per farmer		
	1992	1999	% change	1992	1999	1992	1999	% change
<u>Cash crops</u>								
Coffee	239	500	109.2	16.4	27.5	69.4	108.6	56.5
Cotton	510	230	-54.9	7.1	5.8	11.4	7.8	-31.7
Tea	185	510	175.7	0.3	0.1	9.7	134.2	1289.0
Tobacco	1005	1013	0.8	2.3	2.4	15.9	7.6	-51.9
<u>Starchy crops</u>								
Cassava	158	113	-28.5	59.7	58.5	408.4	521.2	27.6
Matooke	75	78	4.0	41.2	57.0	1408.7	1397.7	-0.8
Sweet potato	113	114	0.9	61.9	56.8	475.0	2160.8	354.9
<u>Grains</u>								
Maize	120	200	66.7	27.5	67.8	240.2	555.7	131.4
Millet	300	300	0.0	41.9	31.3	80.7	55.1	-31.7
<u>Legumes</u>								
Beans	320	256	-20.0	76.1	69.2	155.3	155.2	-0.1
Peas	300	400	33.3	9.9	19.8	9.3	18.1	94.9
Groundnut	300	567	89.0	31.8	29.7	59.8	43.7	-27.0

Source: Klaus Deininger, 2001a. Own computations from 1992 and 1999/2000 UNHS. All prices in 1999 shillings.

Higher prices have led to increases in the share of producers growing a specific crop and in mean output. The share of coffee producers almost doubled (from 16 percent to 28 percent) together with a marked increase in the quantities produced of the crop. Maize—another crop for which prices have increased sharply—shows an even more pronounced production response. As already noted, non-crop agriculture and agriculture in the North have not benefited from recent developments. The prices of many of the crops grown in the North (cotton, millet and tobacco) have not increased during the 1990s. These exceptions serve to counsel vigilance to ensure that the economic recovery extends to the whole rural sector. The next sub-section looks more specifically at the constraints that farmers continue to face which limit their supply responses.

## Constraints Facing Farmers

Consultations<sup>12</sup> with poor farmers in Uganda revealed concern over the lack of sufficient food, lack of land and soil infertility, lack of proximal water sources and pastures. Other constraints include unavailability of inputs for farming and fishing, problems with pests and disease; a lack of skill and knowledge, and a lack of capital and access to credit. Market problems, including poor roads and transport networks; lack of storage and processing; were also mentioned. Insecurity, leading to a loss of oxen for example; as well as poor delivery of basic public services and weak local leadership were important concerns of the farmers.

The 2000 UNHS focussed particularly on agricultural crop production, and so provides further insights into the constraints faced by farmers. Important messages have emerged from a preliminary analysis of the data—comparing its results with the 1992 IHS (Deininger, 2001a). In general, indicators of the rural asset base and access to services have improved markedly over the decade (Table 4.3). Only in the North has there been no increase (in fact a decline) in land under cultivation. The improvement in access to extension is particularly noteworthy.

**Table 4.3: Asset ownership and access to productive services, Uganda 1992 and 2000**

	Uganda		Central		East		North		West	
	1992	2000	1992	2000	1992	2000	1992	2000	1992	2000
Total land owned (acres per HH)	3.8	4.3	4.8	4.7	3.4	4.0	3.8	4.2	3.4	4.2
Total land cultivated (acres per HH)	1.9	2.1	2.0	2.5	1.9	2.1	1.9	1.5	1.7	2.1
Households owning cattle (%)	12	22	9	17	13	26	12	21	13	23
Access to extension (%)	9.5	15.0	10.2	15.1	8.3	14.9	7.6	13.5	11.1	16.0
Access to market information (%)	23.4	27.6	35.1	40.2	30.5	34.5	18.0	23.4	10.0	13.0
Marketing part of output (%)	71.1	75.7	75.2	80.6	72.4	78.7	58.8	62.6	74.0	76.8

Source: Deininger, 2001a

Using multivariate techniques, Deininger (2001a) finds that one additional year of schooling was associated with a 5 percent increase in agricultural productivity during 1992-2000. Technical constraints are highlighted in his results. Access to extension services plays a major role in raising productivity. And participation in the market by one farmer has favorable spillover effects on the productivity of neighbouring farmers. The use of purchased seeds also increases productivity significantly. Though not covered in this research, another factor likely to reduce productivity is the gender division of labor. Women have a heavy workload because they undertake most of the agricultural activities, as well as domestic chores. Lack of access to productive assets also implies inefficient resource use and productivity losses. Deininger (2001a) utilizes the panel component of the 1992 and 2000 survey data to show that education increases non-farm enterprise development. Civil strife and transport costs (proxied by the distance to Kampala) discourage non-farm enterprises. Both of these constraints should be addressed through public policy.

<sup>12</sup> Uganda Participatory Poverty Assessment, 1999.

#### 4.6 Government actions to increase incomes of the poor: an overview

Although the reduction in consumption poverty is a great achievement, it should be possible to do better. Uganda has one of the best natural resource bases for agriculture in Africa. In aggregate, though not for all households, there is an abundance of fertile or potentially fertile land. However, technology in most of agriculture is stagnant. At just 6 percent, the proportion of farmers using fertilizer remains very low. Only 13 percent of farmers use improved seeds. The pace of diversification has been slow, with no significant increase in non-farm activities (except in the North) and limited marketisation. Many of the interventions (roads, water, health, education, security) discussed in other chapters will help increase incomes from farm and non-farm activities. The focus here is on actions Government has taken to encourage agricultural development.

Government has, over the last two years, put much effort into the formulation of the Plan for Modernisation of Agriculture (PMA). The following major innovations for agricultural policy are only now approaching the stage of implementation:

- the roles of the public and private sector are defined;
- the development of a bottom-up structure for advisory services where private service providers are contracted by farmers' groups with some public funding;
- a regional research service is envisaged for each agro-climatic zone;
- more flexible funding mechanisms, with a multi-sectoral conditional grant to sub-county level to support production.

The introduction of the non-sectoral PMA grant will allow communities to identify critical production constraints and respond much more flexibly to them. For instance, if a bridge needs repairing, the community can use its funds to solve the problem rather than coping with the complexities of higher-level bureaucracy. A study on modalities for the PMA grant is currently in progress and Government is scheduled to start the implementation of the PMA in 2000/2001.

#### 4.7 Promoting secure access to assets for the poor

**Land:** Many farmers have constrained access to land. Historical evidence shows that political access to the institutions which allocate land title has led to the expropriation of the poor or the granting of large amounts of land to the politically powerful. There was an increase in land farmed per household during the 1990s. There also appears to have been a large increase—from 9 to 29 percent—in the proportion of farmers renting land during the 1990s. There is clearly an increasing need for land-scarce households to augment their land by renting in land from outside.

In the past year, there has been no major developments in this area. The Land Act, passed in 1998, is designed to promote secure access to land for rural farmers. It sets up land tribunals at local levels in order to resolve disputes without excluding the poor. It enshrines the security of lawful and bona fide occupants, and establishes a Land Fund. The possibility of a co-ownership clause that would give married women a stake in their husband's property, and could help to reduce the poverty of widows, is being discussed. A Land Act Implementation Unit has already been established. The establishment of a Land Fund was authorised under the Land Act, but its function is under consideration.

**Restocking:** Much poverty in Uganda arises from the depletion of assets, such as cattle, which households formerly owned. Table 4.3 reports some recovery in productive

assets during the 1990s. Government introduced in 2000/2001 a scheme to distribute cattle as a form of credit in kind, where beneficiaries are expected to contribute one of the offspring of their livestock to a rotating pool. Government is also supporting the distribution of clonal coffee seedlings by the Uganda Coffee Authority. Because the crop is perennial, this does not carry the fiscal risks associated with subsidising recurrent inputs. The prioritised regions include many of the poorest areas of the country, and special emphasis is placed on areas affected by insurgency and cattle rustling.

**Financial services for the poor:** Government is establishing a framework for developing microfinance institutions (MFIs) to enable the financial system to better reach the poor in rural areas. A national Microfinance Forum convenes monthly, with about 50 members, including Government of Uganda, Bank of Uganda, donors, MFIs and their associations. Cabinet has approved The Policy Framework for Development of Micro and Rural Financing and the draft Bill for the Micro Finance Act 2001 (that will extend formal financial licensing to large deposit-taking MFIs and clarify the status of non-regulated MFIs) is ready for the first reading for Parliament. Government aims to change the rural-urban balance of MFI operation. At present, 20 percent of MFIs operate in rural and 80 percent in urban areas. The aim is to shift the rural-urban balance to 40-60 percent. The challenge achieving this vision is to build capacity of MFIs and commercial finance institutions to serve rural populations. Special attention needs to be given to savings-based approaches (such as saving and credit cooperatives, financial service associations and postal savings bank) that can mobilize local funds in areas beyond credit institutions.

Sector appraisals and UNHS 2000 indicate that access, rather than cost, is the key to addressing unmet demand for credit. In 1999/2000, only 9 percent of households applied for a loan: 44 percent of these were from friends or family and only 5 percent from a financial institution. Of those who did not apply, 44 percent said that they did not need a loan, while 53 percent said there was no supply, they had no security, or they did not know where to apply. Interest rates deterred only 4 percent of those who did not apply. NGOs and Government agencies were more important as sources of credit than friends and family in the North.

Credit schemes in Uganda have often failed, justifying a cautious approach to public intervention. Government will not directly provide credit, but will support capacity-building and institutional development. International evidence, however, shows that many of the major MFI successes have required subsidy for a sustained period of time, and that positive real interest rates and repayment discipline are essential. There will therefore be a need to monitor the development of the sector closely in order to see what kind of support is effective.

#### **4.8 Increasing the returns that poor people can generate**

**Rural transport:** Access to roads in rural areas appears to have improved in recent years. The value (in dollar terms) of transport equipment owned by households has more than doubled in rural areas over 1992-2000. Further, the average distance to tarred and murrum roads has fallen since 1997. But the majority of feeder roads are only in 'fair' condition, despite adequate funds are provided for the maintenance of district roads. Rehabilitation is also proceeding. One problem in the financing of roads is that some districts find it difficult to justify spending on maintenance when many roads are not yet rehabilitated. However, failure to maintain a road means incurring substantial

rehabilitation costs later. Therefore, the virement of funds meant for maintenance to rehabilitation is not cost-effective.

**Research and advisory services:** Access to extension services has improved during the period 1992-2000, and recent work (Deininger, 2001a among others) has found that extension visits have a significant impact on farm productivity—particularly through promoting the optimal use of fertiliser. However, the perception from participatory work and other studies is that many extension workers are still not visiting farmers much, often because of lack of resources, and the advice lacks a coherent direction and may fail to address key problems such as animal and plant disease.

The PMA outlines a strategy to develop a farmer-led agricultural service delivery system, particularly targeting the poor and women farmers. However, the transition to a new system will take several years, and will begin in pilot districts. The National Agricultural Advisory Services (NAADS) is currently being established. Its Strategy Framework has been finalised; and its programme recently approved by Cabinet. The Strategy envisages that services will be contracted by farmers' groups, but with matching funds provided by Government. Immediate priorities include the setting up an Interim Secretariat, obtaining the approval by Parliament of the NAADS Organisational Bill, and securing funding. It will take several years for the NAADS system to cover the whole country.

In the meantime, there is a need for better resourcing of extension. During the formulation of the PMA, a Presidential Directive authorised a major recruitment drive for new graduate extension workers at sub-county level. This has brought new energy into the extension service. The strategy of moving from 'subsistence farming' to 'farming as a business' inevitably involves a more intensive use of fertilisers and pesticides. In order to minimise the negative environmental impacts, farmers need to be trained in appropriate use and handling of agro-chemicals. Development of a better research-extension link is critical in the short run because of pressing issues such as disease control.

**Environmental policy and natural resource management:** Major environmental issues in Uganda concern forest resources, protected areas, wetlands and soil. Forest cover has declined from 10.8 million Ha in 1980 to just 5 million Ha in 2000/2001. Deforestation is more intense in areas with high population densities such as Mukono, Mpigi and Luwero in the Central region. At current rates of exploitation the bulk of the Tropical High Forest outside of protected areas is likely to be lost in the next 20 years. The situation can be changed if more active planting takes place. In 1999/2000, wetlands were included in the PAF. The National Environment Management Policy formulated in 1994 sets out the objectives and key principles of environmental management. A major institutional issue currently being addressed is the development of a sectoral approach to environmental issues in which the responsibilities and funding of the National Environmental Agency and the Ministry of Lands, Water and Environment are jointly determined as part of the budget.

**Rural electrification:** Government has undertaken to support rural electrification through public and private sector participation. The basic approach will be 'smart subsidies' of private providers for grid extensions and other infrastructure for electrification. In the area, specific subsidies will be justified in advance and will be funded by the Rural Electrification Fund which will be budgeted under the MTEF. Under Government's Rural Electrification Strategy (2001-2010), the priority actions include the



establishment of a Rural Electrification Board to give policy direction and a Rural Electrification Unit to operationalise the Strategy. The implementation of the Strategy is currently pending for Cabinet approval. In the meantime the existing grid has been extended to rural areas and the West Nile region is being prepared for establishment of a mini-grid.

## Chapter 5

### Improving the quality of life of the poor

#### 5.1 Introduction

Improving the quality of life and enhancing the human capital of the poor comprise an essential component of Uganda's poverty eradication strategy. Policy goals, such as improving the health of the population, reducing infant and child mortality, raising the levels of educational attainment, providing safe and accessible 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. Recent research highlights the role of health in determining household consumption growth, and of education in raising farm productivity. However, the quality of life for most Ugandans continues to fall short of the standards achieved in the developed world, as reflected, for example in a life expectancy of only 40 years. Improving these outcomes is essential for human wellbeing.

In setting out what public actions are called for to enhance the quality of life of the poor, the PEAP/PRSP emphasized the provision of basic services, particularly health care; safe water supply and sanitation, and education. This chapter reports on the most recent information on outcomes in the health, water and education sectors. It also reports on progress in the implementation of the strategy, including the tracking of the intermediate indicators targeted in the PEAP/PRSP.

#### 5.2 Health

##### *Health status of Ugandans*

Estimates of morbidity from self-reporting in household surveys are notoriously difficult to interpret. Generally poorer households are less inclined to report an illness or injury, probably because they accept them as a simple fact of daily life. The household surveys conducted in Uganda are no exception. Nevertheless, they do give some indication of the trend in morbidity during the decade and the trend since 1997 (on which information was not available when the PEAP/PRSP was prepared). They indicate a sharp increase in morbidity after 1992, with an almost doubling of the incidence of illness or injury in most regions by 1997 (Table 5.1). The Eastern region appears to be the worst affected.

These trends are similar across all income groups. All report a sharp increase in illness to 1997 and a fall thereafter. There may be grounds for questioning the magnitude of this deterioration,<sup>13</sup> but it is probable, and confirmed by participatory evidence, that the frequency of illness did increase for many Ugandans during this period. One explanation for increased morbidity between 1992 and 1997 is HIV/AIDS. The prevalence of HIV dropped between 1992 and 1997, but the number of people who had been previously infected and became ill with AIDS and died may have increased. Another possibility is that malaria has become more prevalent or virulent. Malaria is the

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<sup>13</sup> Preliminary analysis suggests that a change in survey procedures may be in part responsible for this increase.

leading cause of morbidity in Uganda. Over 90 percent of the population live in highly endemic areas with perennial transmission, while 10 percent are in low transmission areas which are prone to malaria epidemics. Data collected by the Malaria Control Programme indicate that the proportion of cases with fever among total medical cases has risen significantly throughout the last decade. Anecdotal and participatory evidence also point to an increased frequency and severity of malarial episodes. In 1999, the UPPAP reported changes in the type of disease during the 1990s, highlighting in particular deaths due to malaria and measles.

**Table 5.1 Population reported ill or injured during the last 30 days (percent)**

	1992			1997			2000		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Uganda	16	17	17	31	35	33	26	30	28
Urban	16	18	17	32	36	34	26	30	28
Rural	18	17	17	27	29	28	24	29	27
Central	18	18	18	27	29	28	22	25	23
Eastern	19	21	20	43	47	45	34	40	37
Northern	14	16	15	28	34	31	25	29	27
Western	12	14	13	24	28	28	22	26	24

Source: UBOS, 2001

There are two likely reasons for an increase in the frequency of malaria. One is climatic change. Increased temperature or an increased length of the rainy season are likely to increase malarial incidence, and in some districts where malaria was formerly only epidemic it may be becoming endemic. Secondly, there is increased drug resistance, and the efficacy of chloroquine as a treatment has declined. Chloroquine resistance is likely to result from over prescription and from the tendency of suppliers to sell short courses of the drug which encourage the development of drug resistance.

Comparisons between the 1997 and 2000 surveys are more reliable, and they show an *improvement* in health status across all regions, urban and rural populations, and males and females. Nevertheless, in 2000, about a quarter of the male and about a third of the female population reported being ill (or injured) during the past 30 days. The incidence is highest in the Eastern region, where two fifths of women reported being ill.

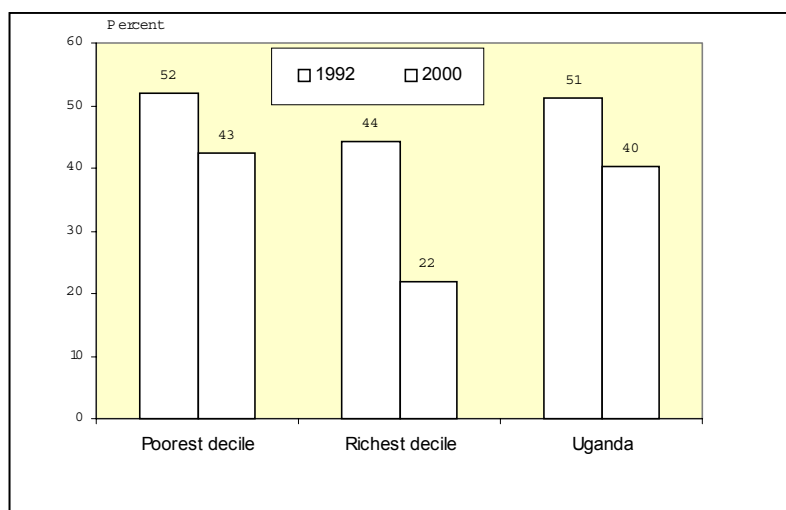
The improvement in health since 1997 is suggested in indicators of child health. The reduction in the incidence of diarrhoea diseases among children below 5 years (Table 5.2) has been most marked in urban areas for children between 2-5 years. Recent survey data also point to an improvement in child malnutrition. The gains in stunting over the decade apply to all income groups (Figure 5.1). In general, the improved nutritional status is a good indicator of overall improvement in the standards of living.

**Table 5.2: Incidence of diarrhoea among children below 5 years (percent)**

Age in years	1997			2000		
	Rural	Urban	Total	Rural	Urban	Total
< 1	40.8	37.7	40.4	37.2	32.2	36.7
2 – 5	65.4	60.1	64.7	57.8	47.0	56.5
< 5	17.2	15.9	17.0	15.2	12.3	14.9

Source : UNHS 1997, UNHS 2000.

**Figure 5.1: Percent of children stunted (low height for age), 1992 and 2000**



Source: Deininger, 2001b

### **Health care**

Recent data indicate a marked increase in the proportion of the sick seeking medical care (Table 5.3). This is particularly noticeable among the better off, but the trend is across all consumption quintiles. However, there appears to have been little change in the use of *government* health facilities between 1997 and 2000. The increase in treatment seems to have been directed mainly to private providers. The growth in household income throughout the decade alone might explain why health care demand has increased in Uganda. The sharp decrease in the proportion of illness not treated, particularly for the richest, supports this explanation. Another explanation might be developments in the services provided. Recent changes in government health services have affected availability, cost and quality, all of which influence demand.

**Table 5.3: Type of medical attention received by those who fell sick, by quintile, 1992, 1997 and 2000 (percent)**

Quintile:	1992			1997			2000		
	None	Govt.	Private	None	Govt.	Private	None	Govt.	Private
Poorest	52.2	18.6	29.2	55.1	23.2	21.7	43.1	24.2	32.7
2	48.2	19.2	32.5	45.7	24.8	29.5	34.1	24.8	41.1
3	44.4	22.5	33.1	41.7	24.2	34.1	32.3	22.9	44.8
4	43.3	18.0	38.7	36.8	18.0	45.1	24.7	24.8	50.5
Richest	36.7	15.2	48.2	33.6	16.8	49.5	20.2	20.2	59.6
Uganda	44.7	18.6	36.7	43.3	21.8	35.0	30.5	23.4	46.1

Source: UBOS

*Availability of health facilities:* The availability of health units continues to be a challenge. Only 43 percent of the parishes have any type of health facility (Table 5.4). The Ministry of Health has clearly identified this tier of service as being the most under-provided. The average distance to the nearest health facility increased from 4 kilometers in 1996 to 5 kilometers in 2000 (Table 5.5). Increased distances in the North and West that have suffered episodes of insecurity explain much of this change. The distance to the nearest health facility is significantly greater in rural (5km) than in urban areas (2km). Only 49 percent of Ugandans reside within 5 kilometers of a health facility.

**Table 5.4 : Status of government healthcare infrastructure**

<i>Health Unit</i>	<i>Physical Structure</i>				
	<i>Location</i>	<i>Need</i>	<i>Existing</i>	<i>Gap</i>	
Health Centre I	None	Village	0	0	0
Health Centre II	Outpatients Services only	Parish	3,624	746	2,878
Health Centre III	Outpatients Services, maternity, general ward and laboratory.	Sub-county	699	679	20
Health Centre IV	Outpatient Services, wards, theatre, laboratory and blood transfusion.	County	127	127	0
General Hospital	Hospital, laboratory, X-ray	District	87	87	0
Regional Referral Hospital	Specialist Services	Region (3-5 districts)	12	10	2
National Referral Hospital	Advanced Tertiary Care.	National	2	2	0

Source : Ministry of Health, 2000.

*Cost of health Services:* The cost of drugs appears to have fallen between 1996 and 2000 (Table 5.5)—explained by the significant cost reduction in malaria drugs and antibiotics in the Western and Northern regions, respectively.

**Table 5.5: Selected characteristics of health facilities by region, 1996 and 2000**

	<i>1996</i>					<i>2000</i>				
	<i>Central</i>	<i>East</i>	<i>North</i>	<i>West</i>	<i>Uganda</i>	<i>Central</i>	<i>East</i>	<i>North</i>	<i>West</i>	<i>Uganda</i>
Distance to nearest facility (km)	5	4	5	3	4	4.6	4	5.8	5.2	4.8
Hours open to public per week	98	74	56	41	68	101	74	35	38	62
Price of dose of malaria drugs (shs)	1200	1550	500	2000	1500	1531	1531	233	633	1099
Price of dose of antibiotics (shs)	2000	2550	1200	2000	1900	1080	1708	298	562	984

Source : MS-3 1995/96; UNHS 1999/2000.

*Quality of health Services:* Deininger (2001b) finds that the quality of service is the key determinant of health care demand in Uganda (studies in other countries have found the same). The most important aspects of quality are the availability of qualified personnel and drugs. Only 40 percent of the units have achieved a minimum staffing norm. More than two thirds of government health facilities report stock-outs of basic drugs: chloroquine, measles vaccine, oral rehydration salts and cotrimoxazole (antibiotic). However, even though low, the availability of drugs seems to increased in the past few

years as funds available for primary care increased. In some areas, the private market for drugs has dried up because people can get drugs more cheaply by paying the fee in Government facilities. There are also signs of an excessive prescription of drugs, which seems to have become worse as more drugs have become available.

Overall, the health situation is complex. The risk of diseases such as malaria has increased at least until recently, but there has been an expansion in the amount of health care consumed, mainly in the private sector. There has also been an increase in public knowledge about disease, especially about AIDS. Increasing incomes have also improved health status. As a result, it is likely that health outcomes in terms of nutrition and mortality (except for AIDS) have improved. However, recent trends in child mortality will not be known until the analysis of the Demographic and Health Survey. The findings of the participatory assessment (UPPAP) are also ambiguous: in some areas, health services are thought to be recovering after a long period of decline, whereas in other areas the decline is thought to be continuing (Ehrhart and Tumusiime 2000).

The National Health Policy was approved in 1999, and the Health Sector Strategic Plan (HSSP) was officially launched in July 2000. Its objective is to reduce morbidity and mortality from major causes of ill health in Uganda and the disparities therein. Priority actions include the delivery of a minimum quality health care package nationwide, and strengthening the health care delivery system and the legal and regulatory framework.

### **Health policy milestones**

Progress in the implementation of the HSSP is assessed biannually in health sector reviews in which Government, donors and civil society participate. The review meetings also agree on the needed policy adjustments.

The 1999/2000 PEAP/PRSP targets for health care delivery were not met (Table 5.6). Two interim targets were specified in the PEAP/PRSP: the share of children under one year of age received 3 doses of DPT, and the percentage of health centers with minimum staffing norms.

**Table 5.6: Performance of the health sector**

<i>Indicator</i>	<i>1999/00</i>		<i>Early 2001</i>	<i>2000/01</i>	<i>2001/02</i>	<i>2002/03</i>
	<i>Actual</i>	<i>Target</i>	<i>Current status</i>	<i>Target</i>	<i>Target</i>	<i>Target</i>
Percent of children under 1 year receiving 3 doses of DPT	41	45	49	60		65
Percent of health centers with at least minimum staffing norms	40	55				60
Number of EPI outreach sites operational			2,500	2,500		
Number of nursing assistants trained			900	1,300		
Percent of health sub-districts have medical officers					50	80
Percent of facilities with no stock-outs for specified drugs						80

Source: Ministry of Health, 2001

The DPT3 immunization target was not met in 1999/2000. The official estimate of the share of children received 3 doses of DPT in 1999/2000 is 41.4 percent, while the target was 45 percent. There seem to have been some improvement lately, though. The current DPT3 status (early 2000/2001) is 49 percent (and preliminary results suggest the figure may be as high as 54 percent). The household survey data also indicates that overall immunization rates have declined in Uganda since 1996.

The decline in immunization rates is attributed to a change in personnel policies after decentralization, which led to the dropping of many vaccinators; an aging cold chain infrastructure; and effects of severe weather during El Nino on the road network. The plan for revitalisation of immunization is still in draft. In light of this, it is clear that the targets were overly optimistic and, for this reason, Government some time ago revised the targets and introduced new interim indicators for 2000/2001-2002/2003.

In addition to revising targets, corrective action is being taken to improve immunisation performance. In the past year, in order to arrest the decline in immunization, Government initiated a concerted effort to improve the 6,000 outreach sites in the country. So far, over 2,500 outreach sites have been made operational.

In 1999/2000, Government fell also significantly short of its staffing goal (Table 5.6). Instead of the target of 55 percent, only 40 percent of health centers met minimum staffing norms. In the past year, to enhance quality of service, particular attention has been paid to recruitment and deployment of qualified staff across the country. The Ministry of Health has, however, faced recruitment difficulties due to, among other things, a small number of applications received, the capacity of districts to advertise and interview candidates, the difficulty of identifying the overall wage bill and getting the new health sector staff onto the government payroll. These factors explain why the actual share of health centers meeting minimum staffing norms fell short of the PEAP/PRSP target. For example, a recent study found that if all the staff appointed had been entered on the payroll in a timely fashion, the percentage would have risen to 59 percent. Given the bottlenecks in recruitment, the set target turned out to be optimistic. A revised target of 60 percent has been set for 2002/2003. All the targets have been revised and modified to conform to the available human and financial resource constraints reflected in the MTEF. Further, as discussed in Chapter 3, Government is taking action to streamline the recruitment process.

In addition, in late 2000, Government started addressing the current shortage of qualified personnel through training and upgrading of skills of nursing assistants. The target was to train 1,300 nursing assistants between November 2000 and early 2001. This target was, however, missed due to the delays in the receipt of funds allocated. So far, 900 nursing assistants have completed training in 30 districts, while 300 have commenced it. The rest will be trained later in the year.

*Areas which have proved particularly problematic in health care delivery:*

- *Recruitment of health personnel in districts and getting them onto the government payroll.*
- *Finalization of the national policy on user fees for health services.*
- *Provision of adequate drugs and medical supplies to health facilities.*
- *The utilization of some minimum health care package services has been limited (for example, only 25 percent of deliveries take place in health facilities; contraceptive*

*prevalence rate is only 15 percent; only 30 percent of malaria patients have access to treatment within 24 hours of the onset of symptoms).*

The proposed PRSC is designed to help Government address these issues. It would support the efforts to increase funding for private not-for-profit providers, strengthen procurement procedures in the Ministry of Health, privatization of National Medical Stores; increase the staff capacity in Government facilities, and construction and rehabilitation of health care facilities.

### **5.3 HIV/AIDS**

Surveillance data show that 10 percent of the adult population is HIV-infected. The HIV seroprevalence declined from 30 to 10 percent between 1992 and 1996. This appears to have slowed since then in both rural and urban areas, thanks to Government's political will and commitment to fight the epidemic. The infection of so many people has a serious adverse impact on the quality of life of *all* the population. Currently, AIDS is responsible for up to 12 percent of annual deaths and has become the leading cause of death among individuals aged 15-49 years. One of the most visible and immediate social impacts of the epidemic is the rapidly growing number of AIDS orphans. UNAIDS (2000) estimated that at the end of 1999, 1.7 million children (under 15 years) had lost their mother or both parents to AIDS. In addition, the latest estimates show that life expectancy at birth has fallen from 42 years in 1997 to 40 years in 1998. This is almost certainly a result of HIV/AIDS.

*Areas where major achievements have been made:*

- *Creating awareness about transmission of HIV/AIDS.*
- *Enhancing treatment of sexually transmitted diseases (STDs).*

*Areas that have proven particularly problematic:*

- *Making health care affordable for a large proportion for people living with AIDS.*
- *Limited integration of HIV/AIDS activities in all sectoral programs.*

### **5.4 Water and sanitation**

Access to safe water and sanitation facilities are critical inputs to improved health and human capital. Government strategy is to ensure that sustainable safe water supply and sanitation facilities will be within easy reach of 65 percent of the rural population and 80 percent of the urban population by the year 2005. There should be full coverage of the urban population by 2010 and of the rural population by 2015.

Earlier, the water and sanitation sector had depended heavily on donor financing for capital expenditure. Development had been fragmented and carried out on a project by project basis. In 2000, Government started a preparation of a sector-wide approach in planning (SWAP) framework for the water supply and sanitation sector. So far, sub-sector strategies have been formulated for rural areas and rural growth centers, as well as for the urban and secondary urban centers covering piped systems. In rural water supply and sanitation, the underpinning approaches are: (i) community-driven demand and extension management; (ii) planning and management at the district-level; (iii) facilitation by the central government; and (iv) private sector involvement. In urban water supply and sanitation, the underpinning approaches are: (a) the achievement of



efficiency and commercialized operations through the participation of the private sector in service delivery; (b) public sector ownership of asset, managed by autonomous water supply and sanitation authorities or asset holding authorities; and (c) regulation by an independent regulation system. The water and sanitation component of the proposed Poverty Reduction Support Credit is designed to steer the sector towards the development and operationalisation of this strategy.

In the urban water and sanitation sub-sector, 78 gazetted urban local authorities and district capitals are responsible for water and sanitation, except in 12 large municipalities where an autonomous parastatal—the National Water and Sewerage Corporation (NWSC)—provides the services. Although the urban water and sanitation sub-sector has received significant capital financing, mainly from donors, there is a high degree of inefficiency in the operations, and lack of an adequate regulatory framework and incentives for commercial operations. NWSC suffers from high unaccounted for water (45%), high staffing levels (24 staff per 1000 connections) and high accounts receivable (8 months sales). To improve the situation, NWSC signed a performance contract with Government in 2000/2001.

In 1999/2000, Government achieved some, but not all, of the PEAP/PRSP targets (Table 5.7; it is too soon to assess the 2000/2001 performance). The number of boreholes exceeded the target, while the number of springs and protected shallow wells, though increased, were lower than the set targets. However, 30–40 percent of boreholes/pumps are said to be non-operational, reflecting the urgent need to improve maintenance. To improve the capacity for maintenance, Government has been setting up District Water and Sanitation teams in 2000/2001.

**Table 5.7: Achievements in the provision of safe water**

<i>Indicator</i>	<i>Achieved 1999/00</i>	<i>Target 1999/00</i>
<b>Activities</b>		
Boreholes drilled	1,620	1,060
Springs protected	501	900
Shallow wells protected	510	1,000
<b>Monitoring indicators</b>		
<i>Safe water coverage (percent):</i>		
Rural	49.8	49
Urban	60.3	60
Functionality rate	90.0	95

Source: Ministry of Water, Lands and Environment.

The proportion of the population using ‘unsafe’ sanitation facilities dropped to 15 percent in mid-2000 from 17 percent in 1996. Currently, 83 percent of the population are using pit latrines—unchanged since 1996. This high national coverage may be misleading, as many are rudimentary. In the North, 43 percent of the population still use the bush as a toilet facility.

Government has also revised the medium-term targets for water and sanitation in light of latest policy developments. The new targets that will be used to assess the performance in rural and urban areas are listed in Table 5.8.

**Table 5.8: Water and sanitation targets for 2000/2001-2002/2003**

	2000/01 Target	2001/02 Target	2002/03 Target
<b>Rural:</b>			
Safe water coverage (percent)			55
Number of new water systems	1,500	3,500	3,700
Number of new public, school and institutional sanitation systems	450	900	900
Functionality rate (percent)			80
<b>Urban:</b>			
Safe water coverage (percent)			65
Number of new water connections	3,100	6,300	7,000
- of which connections for poor households	930	1,800	2,100
Number of new sewerage connections	75	700	700
Number of NWSC staff/1000 connections	24	14	11

*Areas of significant achievement:*

- *Public expenditure allocation to water and sanitation has significantly increased.*
- *A general framework of policies, legislation and regulations for integrated water resources management has been established.*
- *Government has developed objectives and principles for a sector-wide approach in water and sanitation.*
- *At least half of the districts have set up fully staffed district water and sanitation teams to strengthen decentralized service delivery in rural areas.*
- *To promote commercial operations in urban areas, NWSC has signed a performance contract with Government.*

*Areas which have proved particularly problematic:*

- *Ensuring the reliability/sustainability of water sources, especially the boreholes, once constructed.*

## **5.5 Improving human capital through education**

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. Government is enhancing basic education, both primary education and adult literacy, aimed at equipping the population with skills to survive and improve the quality of life. However, the strategy also recognizes the importance of expanding the secondary sector in light of the growing number of P7 graduates, and the need to engage greater private sector involvement in the expansion of tertiary education.

The PEAP stated: "The introduction of the policy of [Universal Primary Enrollment] UPE with free education for four children in every family has transformed the situation of enrollment, which has risen further each year since 1997. The key issue now is to keep enrollment high and improve quality in a very heavily burdened system. The Government and development partners have increased expenditures through the

Poverty Action Fund, including a large expansion in the number of teachers and a major classroom-building programme.”

In monitoring progress towards these objectives, this section first provides a brief assessment of primary enrollment outcomes in recent years, then assesses whether the quality of education has improved, the absorptive capacity constraints, and finally reports on the PEAP/PRSP targets for the class building program and expansion in the number of teachers.

### **Primary enrollment trends**

Table 5.9 gives a decade-wide perspective on enrollment outcomes. The UPE-induced surge in net primary enrollments between 1992 and 1997 came from all sections of the Ugandan population, but especially the poor, and especially the girls of poor households. By 1999 gender differences in enrollment rates had all but disappeared, and differences across income groups had narrowed considerably. However, some of the net enrollment gains have been lost since 1997. Though not returning to their 1992 levels, primary net enrollments appear to have fallen back towards the end of the decade. Further analysis needs to be undertaken to compare these trends from the household surveys with the administrative (school) data.

It is important to note that, though net enrollments may have declined since 1997, gross enrollment (that, unlike net figures, include enrollment of non-primary school age children) have increased since 1997. The gross enrollment surged from 5.3 million in 1997 to 6.6 million in 1999, but then declined to 6.1 million in 2000 and are projected to stay there in 2001.

**Table 5.9: Net primary and secondary enrollment rates by sex and quintile, 1992, 1997 and 2000 (percent)**

Quintiles	1992			1997			2000		
	All	Girls	Boys	All	Girls	Boys	All	Girls	Boys
<b>Primary</b>									
Poorest	50.8	47.3	53.8	78.0	74.9	80.9	68.7	67.5	69.8
2	56.0	49.2	62.3	86.2	86.9	85.5	78.3	78.3	78.4
3	64.8	65.1	64.5	87.4	85.8	89.0	79.0	79.3	78.7
4	65.5	64.2	66.7	87.2	87.2	87.2	81.1	82.4	79.9
Richest	74.4	71.9	77.0	91.2	90.4	91.9	79.5	77.3	81.6
Uganda	62.3	59.9	64.7	83.8	82.6	85.0	76.5	76.3	76.8
<b>Secondary</b>									
Poorest	4.9	3.2	6.3	3.8	3.0	4.3	3.8	3.6	3.9
2	8.3	8.5	8.0	7.1	6.0	8.2	7.7	7.5	7.9
3	9.8	7.0	12.6	11.0	12.5	9.5	12.4	11.7	13.1
4	11.2	11.0	11.5	21.5	19.7	23.1	17.2	18.4	16.0
Richest	17.7	16.1	19.4	34.1	32.3	37.0	28.3	27.9	28.8
Uganda	10.0	9.0	11.0	11.1	11.2	11.0	12.4	12.9	12.0

Note: All figures are percentages of the respective age group.  
Source: Deininger, 2001c

### **Quality of primary education**

The challenge is to maintain the quality of primary education, despite increased enrollment rates. There are some indications of a potential deterioration in the quality of the schooling that children are receiving. The proportion of registered candidates passing the Primary Leaving Examination rose from 72 percent in 1995 to 81 percent in 1999. However, indicators of real educational attainment at lower levels of primary education are less encouraging. In comparable tests, the proportion of pupils who scored satisfactorily in mathematics fell from 48 percent in 1996 to 31 percent in 1999, and the proportion who scored satisfactorily in English fell from 92 percent to 56 percent. The deterioration in attainment may partly reflect the fact that under UPE, children from a wider variety of backgrounds are going to school. It also reflects the fact that no planner, in Government or its partners, foresaw the extraordinary expansion in enrollment when UPE was introduced. This huge increase in quantity was bound to impose considerable challenges to quality. What is clear is that the successful achievement of high-quality UPE will take further effort over a sustained period. Faced by this challenge, Government will have to assess how best to improve quality in the short term. So far, Government has attempted to do that by increasing the number of teachers, the pupil-textbook ratio and school construction. Major issues are the pace and resource implications of curricular reform and the use of double-shift teaching. Another uncertainty facing education planners is the size of the school population in the future. Currently a large proportion of children attending primary schools is of secondary age—a transitory feature caused by high levels of late entry under UPE. As these pupils graduate to the secondary level, the primary school population may (at some future date) begin to equilibrate at a lower level.

### **Education policy milestones**

In 2000, none of the PEAP/PRSP targets were met (Table 5.10).<sup>14</sup> The average pupil-teacher ratios, pupil-classroom ratios and pupil-textbook ratios were all higher than the set targets for 2000. In retrospect, the sector targets were overly ambitious and based on incorrect baseline numbers that have since been corrected. The missed targets partly result from unexpectedly high enrollment. Work is currently progressing to collect more accurate data on enrollment and age structure of pupils, which should make future enrollment and target projections more accurate.

**Table 5.10: Primary education output targets and current achievements**

<i>Indicator</i>	<i>2000</i>	<i>2000</i>	<i>March</i>	<i>May 2002</i>	<i>May 2003</i>
	<i>Actual</i>	<i>Target</i>	<i>2001</i>		
			<i>Target</i>	<i>Target</i>	<i>Target</i>
Average pupil-teacher ratio	65:1	58:1	63:1	54:1	48:1
Average pupil-classroom ratio	125:1	118:1	121:1	104:1	92:1
Average pupil-textbook ratio	6.7:1	6:1	6:1	4:1	3:1

Source: Ministry of Education and Sports

Notes: The actual figures for 2000 will be confirmed after the completion of the 2000 Headcount by April 2001.

<sup>14</sup> The 2001 figures were not available when the report was prepared.

By 2000, the average pupil-teacher ratio had fallen only marginally from the 1999 level of 68:1 to 65:1. The ratios were even higher for P1 and P2 (82:1 and 75:1 respectively). Of the 53 districts, only 20 had an average pupil teacher ratio of 58:1 or below. The primary school staff establishment ceiling was increased from the 1998/9 level of 94,000 to over 125,000 in March 2000. Government has, however, been unable to hire the required numbers of teachers and meet the establishment. As discussed in Chapter 3, there are a number of reasons for failing to fill the vacant teacher posts. These include the shortage of qualified applicants; delays in recruitment due to weaknesses in district level personnel functions; and delays in accessing government payroll. In order to improve the situation, Government has expanded teacher training, is currently providing additional training for unqualified teachers and carrying out a recruitment drive. During the second half of 2000, cabinet decided to give a 20 percent wage supplement to teachers in hard-to-reach areas. These areas will also be a priority in the provision of teachers' accommodation under the scheme of Construction of Teachers Houses. Both of these initiatives will be costed in the context of the 2001/2002 budget.

The average pupil to textbook ratio for the core subjects is 6.7:1, while the PEAP/PRSP target was 6:1. The reasons for the missed target was the unexpectedly large number of pupils and an exchange rate depreciation which reduced the foreign exchange value of funds released compared to projections. To date, a total of 7 million core textbooks and supplementary readers have been provided to government-aided primary schools. For special needs children, Braille Kits, paper and sign language manuals have been procured. However, textbook care in schools remains a problem: textbooks get lost or quickly deteriorate. Provision of store cupboards in the classroom construction design would help.

The pupil-classroom ratio also remained high at 125:1, a slight drop from 137:1 in 1999. Again, unexpectedly high enrollments and some implementation difficulties were responsible. The current number of classrooms is by no means sufficient. The Education Sector Medium Term Budget Framework (2001/02–2003/04) notes that to meet the target of a classroom for every teacher by the year 2003/4, a total of 135,430 classrooms have to be constructed. Since 1998, 9,877 classrooms have been constructed/completed, 7,729 in 1999/00.

The Education Management Information System Census 2000 established that only 66 percent of the schools were meeting their minimum quality standard requirements. The Community Survey of 1999/2000 found that typically only a quarter of schools were considered in good condition. The average distance to schools is 1.4 km with minimal variations within the regions, except for the North. This would suggest that school building should target the North to give the predominantly poor population in that region better access to primary schooling.

In light of these developments and new and updated information that has become available on indicators since the PRSP preparation, targets in the sector have been modified. The new targets are in line with the MTEF and will form the basis of the upcoming budget exercise. In addition, these targets are part of and consistent with the proposed PRSC.

*Areas where major achievements have been made:*

- *Access to primary education: following the launch of the UPE Programme, gross enrollment rates has increased to over 6 million.*

*Areas which have proved particularly problematic:*

- *Making access to primary education universal, while raising the quality of standards.*
- *Recruiting adequate numbers of qualified teachers.*
- *Ensuring that newly recruited teachers access the payroll*
- *Improving the availability of textbooks.*

### **Secondary education**

The importance of secondary schooling for sustainable poverty reduction was highlighted in the PEAP/PRSP. Although secondary enrollment rates among the poor are not high (Table 5.9), they are likely to rise sharply as current primary student from poorer households graduate to the secondary level. The current transition rate from primary to secondary schools is 40 percent. A strategic plan for the secondary education sector has recently been drawn up, and some initial activities aimed at increasing access and improving quality have begun. These include:

- Four sites, one in each region, have been identified for the first pilot secondary schools.
- 73 secondary schools have been given capital development grants towards construction and rehabilitation works.
- 16 secondary schools have been identified for expansion and rehabilitation to serve as centers for Comprehensive Secondary Education.
- Guidelines and incentives for communities and private sector to make additional contributions to secondary education have been developed. Already, 90 schools have been identified for grant aiding.

To foster quality in secondary education, 36 functional Teacher Resource Centres were established in 36 districts, providing in-service training for the teachers. The procurement of various instructional materials resulted into a book student ratio of 1.5.

### **Technical and vocational education and training (TVET)**

Many primary school graduates will enter into technical and vocational training. These institutions need to be prepared for the increased enrollment. So far, a policy on technical and vocational education has been developed. Funds have been secured from the German Government to support private Vocational Training providers all over the country. Standardization of the curriculum, however, requires further attention.

### **Adult literacy**

The current literacy rate stands at 62 percent of the population, with male literacy twice that of female. The literacy rate increased in the latter part of the 1990s, but improvement has been slow (with actual declines in the North). If this low rate of improvement were maintained, it would take at least 44 years to attain full literacy. In order to expedite improvements in this area, Government has increased funding for the *adult literacy program* and expanded the program from the present 26 districts to the whole country. Training of literacy instructors has begun, and resources are now available to pay them, which has been a major constraint to these programs in the past.

## Chapter 6

### The way forward

#### 6.1 Main findings

Poverty has continued to fall in the last three years, and preliminary data show a very rapid rate of decline, with the headcount falling from 44 to 35 percent in the three years. However, inequality has risen, both because the urban-rural gap has widened and because the poorest region, the North, has seen an increase in poverty. While there are several reasons for the poor performance of the North, the most critical one is insecurity. Insecurity, combined with drought, affected an increasingly large proportion of the population during 1999 and the early part of 2000. The number affected by emergency rose above 5 percent of the Uganda population. In the later part of 2000, the situation improved.

Government has achieved a very substantial reallocation of expenditure to directly poverty-reducing activities, including primary education, primary health and water supply. This has increased the volume of services delivered. Improving quality and ensuring maintenance are major continuing challenges.

#### 6.2 Implementing the PEAP/PRSP

Overall, the strategy is on track. Macroeconomic stability is being maintained, major pro-poor reallocations in public expenditure have been achieved, the growth of the economy has slowed because of external shocks, but medium-term growth prospects remain good. However, there are some areas in which further progress can be made.

First, progress has been uneven on the four pillars of the strategy. Macroeconomic management (under the first pillar) continues to improve and the delivery of services to improve the quality of life (under the fourth pillar) has been enhanced. However, actions to increase the incomes of the poor and improve governance and security have advanced more slowly. As a result, the Northern region, which is still afflicted by insecurity, and rural areas more generally, are not sharing equally in the benefits of growth. The fast growth in mean consumption recorded in the household surveys has therefore been accompanied by an increase in inequality. Hence there is a need to strengthen actions on the second and third pillars.

Secondly, the large expansion of resources to education, health and water have caused some managerial difficulties. These are impeding the translation of increased expenditures into improved outputs and outcomes. Some of these difficulties were difficult to foresee. For instance, the expansion of education has required fast recruitment of teachers and has exposed deficiencies in the systems of payroll management and recruitment. Others reflect problems which have long been recognised, but are made more urgent by the extra resource flows. For instance, the over-prescription of drugs and the failure to maintain water supplies.

The discussion below identifies some key issues within each of the four pillars.

### *Creating an enabling environment for fast and sustainable economic growth and structural transformation*

Government has succeeded in maintaining macroeconomic stability during a pre-election period. Government will focus on the following actions:

- strengthening domestic resource mobilisation through better tax administration and reviewing the system of local taxation;
- strengthening the role of sectoral working groups to ensure that each sector is following a coherent strategy which is translated into budgetary allocations;
- fully integrating donor support into a coherent overall strategy;
- streamlining fiscal transfers to local Government and gradually increasing local discretion over the use of resources;
- implementation of the Medium-Term Competitiveness Strategy, including commercial law reform, export promotion, financial sector reform, and continued implementation of the Roads Sector Programme;
- continued pro-poor reallocation of public expenditure, and possibly greater geographical targeting of public resources to address the widening regional inequalities;
- strategically prioritising expenditures given the gap between long-term costings and aspirations..

### *Strengthening good governance and security*

Improved security has profound implications for the day to day life of Ugandans. It is desirable in itself, and it is the key to economic development and a better quality of life. Improved service delivery depends on streamlined public expenditure management. Government will focus on the following actions:

- implementation of the Amnesty Act;
- removal of the problem of cattle rustling by persuading pastoralist groups to abandon the practice and improving their economic alternatives;
- participation in peace-building in the region;
- improvement of the quality of services delivered by the police;
- full implementation of the Anti-Corruption Action Plan;
- reforming the system of Government procurement;
- reforming payroll management and public sector pay and pensions to address difficulties in recruitment and retention;
- strengthening management to reward good performance and encourage staff development.

### *Increasing the ability of the poor to raise their incomes*

Despite the increase in incomes, the widening urban-rural gap and the technical stagnation of much of agriculture show that even more is possible. Government will focus on the following actions:



- implementation of the Plan for the Modernisation of Agriculture;
- strengthening of the existing extension system and gradual introduction of the system of contracting-out;
- implementation of a cost-effective system for resolving land issues under the Land Act;
- promotion of improved financial services for the poor through implementation of the policy framework for microfinance;
- monitoring and enhancing the progress of schemes to strengthen the productive assets of the poor;
- strengthening targeted interventions to support the incomes of particularly disadvantaged groups.

#### *Increasing the quality of life of the poor*

Major increases in service delivery have been achieved, in education since 1997, in health and water more recently. In education, the key challenges are to promote quality at the primary level and to start to address the secondary. In health, evidence on outcomes is mixed. In health and water, the expansion in resources makes improved management of the resources more critical. Government will focus on the following actions:

- finding cost-effective ways to support quality in primary education;
- finding cost-effective ways to expand access to secondary education;
- recruiting teachers and health workers now that resources are available to pay them;
- strengthening the management of drugs, and reducing over-prescription;
- developing the strategy to combat malaria;
- continuing the building of public awareness about AIDS;
- training health workers;
- improving the maintenance of water supplies;
- developing a nationwide approach to adult literacy.

### **6.3 Performance targets**

In the current year, some of the performance targets were missed. Reasons are as follows:

The growth target was missed mainly because of external shocks including the deterioration in terms of trade and the ban on imports of Ugandan fish by the European Union. The same factors led to a sharp depreciation in the Uganda shilling and the resultant excess in inflation over the target (which rose to 6.3 per cent compared to a target of 5 per cent).

The increased volume of social services has proved more difficult both to implement and to monitor than anticipated. The targets set for fiscal year 1999/2000 have mostly been missed, as shown in Chapter 5, for a number of reasons. First, the original targets were based on very limited data in some cases. Although all the indicators are monitorable in principle and were carefully chosen to reflect areas of policy concern, the sectoral monitoring systems has not always been producing consistent or reliable data. Secondly, the number of pupils exceeded expectations, making all the education targets unrealistic. Thirdly, there were serious problems accessing the payroll for health and education workers, which seriously delayed the expansion of the workforce in these

sectors. Fourthly, the targets were set quite ambitiously. In several cases they represented costed input or output targets under the MTEF, where it is normal to assume that fiscal resources will be converted efficiently into inputs and outputs. In retrospect, it is not surprising that the fast expansion of social services has caused implementation problems. For instance, the failure of the District Service Commissions to respond adequately to the challenge of recruitment was hard to foresee, because they had never been subjected to this strain before.

Government is responding to the failures on performance targets in a number of ways. Difficulties with payroll management and recruitment will be dealt with under the proposed PRSC. Difficulties in the immunisation campaign require new investment and improved management of vaccinators. In each sector, more realistic targets have been developed during this year to reflect the intensive analytical work performed under the sector reviews. New targets, and in some cases new indicators, will be used both for next year's PRSP progress report and for the proposed PRSC. Chapter 5 includes the revised indicators for 2000/1 and after.

#### **6.4 Monitoring and research**

The system of comprehensive poverty monitoring is developing, with a balanced emphasis of tracking the fundamental objectives of policy—notably reducing income poverty and improving the quality of life for Ugandans—and the indicators of Government performance in taking action to achieve these objectives. Efforts will be made to develop further the set of performance indicators for each sector. Particular tasks for monitoring in the short run are the validation of the preliminary results on poverty and the strengthening of data (both administrative and survey-based) on outputs and outcomes of public services.

By the next PRSP progress report, data will be available from the Demographic and Health Survey, the Service Delivery Survey, the next round of participatory research, and the project currently under way to study the correlates of poverty in order to establish faster monitoring techniques. In addition, further work will have been done on the newly available National Household Survey.

Further areas for research, which will draw on all these data sources, include the following:

- validation of household survey evidence of consumption growth, integrated with national accounts estimation;
- cross-cutting issues: gender and poverty, using the survey data;
- enabling environment: repeated firm survey, evidence on competitiveness and protection, making tax policy more pro-poor;
- governance and security: assessing the cost of corruption, living conditions in insecure areas, assessment of trends in service delivery and priorities of beneficiaries, the conditions for conflict-resolution in Karamoja, and decentralisation;
- increasing incomes: unemployment, fish and livestock producers, agricultural productivity, and best practice in microfinance;
- improving the quality of life: trends and determinants of quality in public service, using the recent facility surveys in health and education; and impact of AIDS especially on service delivery and manpower;
- integration of qualitative and quantitative techniques for monitoring.

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**Annex Table 1: Budget performance: budget estimates and outturns of sectoral shares of public expenditure**

<i>Sector Shares</i>	<i>1997/98</i>		<i>1998/99</i>		<i>1999/00</i>	
	<i>Budget Estimates</i>	<i>Outturn</i>	<i>Budget Estimates</i>	<i>Revised Outturn</i>	<i>Budget Estimates</i>	<i>Revised Outturn</i>
Roads and Works	6.0	4.9	7.8	6.2	8.3	8.2
Agriculture	1.4	1.1	1.6	1.0	1.4	1.4
Education	25.0	26.0	25.3	26.9	26.9	26.2
Health	7.3	6.6	7.4	6.7	6.5	6.4
Security (Defense, ISO/ESO, Pensions)	14.4	14.8	16.7	19.8	15.3	15.6
Water and Sanitation	0.7	0.5	1.3	1.2	1.4	1.3
Law and Order	8.7	8.9	7.8	7.2	6.9	7.4
Accountability	0.5	0.5	0.6	0.6	0.6	0.6
Economic Functions, Social Services & Multisectoral	4.1	4.1	3.1	2.7	6.3	4.6
Public Administration	22.6	24.9	20.0	20.7	19.3	20.5
Interest Payments Due	9.3	7.6	8.4	7.0	7.1	7.7
All Sectors	100.0	100.0	100.0	100.0	100.0	100.0

*Notes: Data exclude donor projects, arrears, promissory notes and contingency.*