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Uganda's Experience with the PRSP Process

What are the Secrets for its Success?

by

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INTRODUCTION

Until very recently, economic policies for poor countries have largely been worked out in Washington or between a small group of technocrats in a country's finance ministry and IMF and World Bank staff. In such discussions, Bank and Fund staff have had a tremendous amount of leverage because of countries' dependence on Bank and Fund loans and the conditionality associated with such lending. This process resulted in the adoption of "one-size-fits-all" economic policies, which were often poorly adapted to a country's specific needs, which lacked broad popular support, and failed to make poverty reduction a priority.

In September 1999, the IMF and the World Bank, learning from past failings, announced a new way of doing business in poor countries. Countries themselves would develop a poverty reduction strategy in consultation with civil society and other stakeholders, and put this forward to the IMF and World Bank in the form of a Poverty Reduction Strategy Paper (PRSP). The Boards of the IMF and the World Bank accept a PRSP on the basis of a coherent policy strategy, which will be assessed jointly by the Bank and Fund staff in terms of its objectives and policy content. Further, the Boards are required to review the extent to which governments have consulted with civil society and how governance issues will be addressed. The initiative was warmly welcomed by civil society organizations and governments alike. The notion of "national ownership" and "participatory processes" were the most attractive aspect of the initiative.

Long before the new thrust of the Bretton Woods institutions on poverty issues, the Government of Uganda had launched in 1997 a Poverty Eradication Action Plan (PEAP) that sought to create a conducive environment for private sector development; to raise peoples incomes; to uplift their quality of life; and foster good governance. This report examines in detail Uganda's experience in the preparation of the Poverty Strategy Paper and the progress that the government has made so far in implementing its poverty eradication strategy plan. The report specifically focuses on the following: the overall growth strategy and how it is linked to poverty reduction; the in-country consultation process with civil society and other stakeholders; the financing arrangement for the national poverty reduction strategy; and the nature of donor relations.

THE PRSP PROCESS IN UGANDA

Uganda has been a leader in piloting socio-economic policies that have ensured commendable economic performance. Having stabilized the economy, the Government has in the past decade or so, focused its policies increasingly on growth and structural transformation of the economy. Among key policy reforms is the liberalization and deregulation of the economy. Commodity markets were liberalized; tariffs on imports were streamlined, and all quantitative restrictions were removed. The capital account was opened up, and interest and exchange rates were decontrolled and are increasingly market-determined. This, coupled with tight monetary and fiscal policies, has ensured low inflation, now in single digits. There has also been extensive reform of government through decentralization and streamlining and refocusing the public services. The combination of deep structural reform and strong political commitment by the government to eradicate poverty has had a noticeable impact on the standard of livings of the majority of Ugandans.

Despite these commendable achievements, however, Uganda still faces numerous challenges and the government must guard against complacency. New rounds of economic and institutional reforms will be needed to sustain the current levels of growth and to redirect resources to strategic sectors that have a direct impact on the reduction of poverty. Specifically, government must redouble its efforts in support of the Plan for the Modernization of Agriculture, which will have a direct impact on the reduction of rural poverty.

(1) Overall growth strategy and poverty reduction goals

After years of conflict and civil unrest in the 1970s and early 1980s, Uganda has become one of the fastest growing economies in Sub-Saharan Africa, registering an average growth rate of 7% a year since the early 1990s. Faced with a massive challenge to revive the economy that was destroyed after years of neglect and civil unrest, the National Resistance Movement Government embarked on an economic reform program in 1987, with support from the international financial institutions. With the implementation of a series of structural adjustment programs, inflation was brought down to single digit figures and the number of people living below poverty line have reduced from 56% in 1992 down to the current level of 35%. Between 1997 and 2000, for example, mean real consumption per capita in Uganda grew by 22%.[1] This is a significant achievement for a country that experienced much political and economic turmoil.

Despite the spectacular growth rates, however, not all groups benefited to the same extent. The increase in per capita consumption was larger (42%) in urban areas than in

[1] Simon Appleton (2001), **Poverty in Uganda, 1999/2000: Preliminary estimates from the Uganda National Household Survey,** University of Nottingham (January 26). Mimeo.

rural areas (15%). And there are differences across regions. Per capita consumption levels in the northern provinces 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.[2] Poverty in Uganda continues to be a rural phenomenon, with 96% of the poor living in rural areas in 2000. Much of the investment made over the last several years was not in sectors that have a direct impact on the lives of the poor.

The persistence of poverty, albeit declining, in the face of rapid economic growth presents a great challenge to the government. To address the problem, the government embarked on developing a long-term strategy to attack the root causes of structural poverty. The first strategy was **Vision 2025** - an initiative supported by UNDP and developed after a long consultative process - described long-term national aspirations.[3] In 1997, the Government of Uganda developed a **Poverty Eradication Action Plan (PEAP)** setting out its strategy for eradicating absolute poverty by 2017.[4] This is expected to be achieved through a sectoral planning approach.

The PEAP drew particular attention to the need for increased expenditure on the delivery of services that directly benefit the poor, specifically pinpointing the areas of education, health, agriculture, water and sanitation, and roads. Aside from priority sectors for the allocation of investment finance, the plan sets out a number of key component strategies for effectively tackling poverty. The PEAP, therefore, serves as the over-arching national planning document and provides guidance to government and its partners in planning, priority setting, and resource allocation. A wide consultation process was undertaken to develop the first PEAP published in 1997.

The PEAP overall growth strategy rests on the following four key pillars on which all sector and district plans, as well as the medium-term expenditure framework are based:

- **Sustainable economic growth and structural transformation**: Economic growth and poverty reduction requires a framework within which the private sector can expand. The PEAP has three key elements: macroeconomic stability; equitable and efficient collection and use of public resources for poverty reducing activities; and the removal of constraints on private sector competitiveness.[5]
- **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. The PEAP gives greater emphasis to

[2] Poverty Status Report 2001, p.23

[3] The Republic of Uganda, **Vision 2025: Prosperous People, Harmonious Nation, Beautiful Country**, A Strategic Framework for National Development, Ministry of Finance, Planning and Economic Development (Kampala: March 1999)

[4] Republic of Uganda, **Poverty Eradication Action Plan, 2001-2003, Volume 1, Ministry** of Finance, Planning and Economic Development, (Kampala: February 2001), pp.4-5.

[5] Uganda's Poverty Reduction Action Plan, p.14

strengthening democracy and decentralization, with emphasis on democracy, peaceful conflict resolution, accountability and transparency, law and order, and human rights.

- **Raising the incomes of the poor**: Increasingly, these involves improving access to productive assets, especially land; providing greater access to markets and credit; increasing productivity; promoting gainful employment; focusing on disadvantaged groups; and investing in transport and communications.
- **Improving the quality of life of the poor**: The objectives of government under this pillar are designed to improve the quality of life of the poor through enhanced access to primary health care, universal primary education, better nutrition, and clean drinking water. There has been an enormous increase in gross primary enrollments. But this has in turn created problems and challenges, especially in maintaining the quality of the schooling delivered.

It must be noted from the outset that the PEAP is not a blueprint for sector activities. It instead provides a framework for the development of detailed sector-wide plans (SWAPs) and investment programs, such as those that have been or are currently being prepared in education, health, water and agriculture.[6] The sector plans must specify sector objectives, policies and priorities, outputs and outcomes expected from sector expenditures, and the activities which the expenditures will fund in order to achieve the desired outputs and outcomes. **Therefore, while the PEAP sets the framework for other plans, it is also a product of those plans.** The links between the PEAP and sector plans at all levels are, therefore, **iterative**, with information flowing in both directions.[7]

The PEAP and the various sector plans in turn set the framework for the preparation of **district plans,** although these are still at an early stage of development. Under Uganda's decentralization system of governance, the local authorities are responsible for the implementation plan for sector programs based on local priorities. In this regard, technical expertise is being provided by central ministries to help district administrations prepare their own three-year expenditure planning frameworks consistent with resource availability. A draft strategy paper on Fiscal Decentralization was completed in late July 2001 and is expected to be approved by Parliament.[8] Government hopes that in due course this capacity can be extended to lower level local councils.

The involvement of communities in the planning framework is also being strengthened. Participatory research and the design of participatory approaches to the budgetary process are feeding in an increasing amount of information from districts and local levels into the plan. Under the **Uganda Participatory Poverty Assessment Project (UPPAP)**, the perspectives of the poor are being gathered in order to help guide policy at both national

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[6] These include the ten-year Road Sector Development Program, the Education Strategic Investment Plan, the Health Sector Plan, and the Plan for the Modernization of Agriculture. Also underway are plans for the energy sector and justice sector.

[7] Republic of Uganda, **Poverty Eradication Action Plan, 2001-2003, Volume 1,** Ministry of Finance, Planning and Economic Development, (Kampala: February 2001), p. X.

[8] The Republic of Uganda, **Fiscal Decentralization in Uganda: Draft Strategy Paper**, prepared by the Fiscal Decentralization Working Group, Ministry of Finance, Planning and Economic Development, July 2001.

and district levels. Further work is being undertaken in nine pilot districts to enhance community-level participatory planning and monitoring capacities.

- **The PEAP Review as an evolving process**

The PEAP was revised in early 2000. While the basic principles behind the 1997 PEAP remained valid, revision of the PEAP became necessary since there have been significant developments and initiatives in the economy since its preparation. The Government set up a technical team that produced drafts at very high speed as they faced pressure from IMF and the World Bank staff to produce a draft PRSP in three months presentation deadline of April-May 2000.[9] The first draft PEAP in February 2000 was a mere seventy pages. By mid-March, the number of pages had more than doubled. The final draft in April 2000 was more than 200 pages long.[10] Had Uganda not been ahead of the game by preparing the 1997 Poverty Paper, the quality of its PRSP would have suffered.

If the plan is to remain relevant, it is envisaged that the revision of the PEAP will be a regular process carried out every two years. For example, the 2000 revision drew critical information from different sector plans, new poverty assessment surveys, and broad consultations with various stakeholders. Particularly important in this regard were materials from the **Uganda Poverty Assessment Project (UPPAP)** of the Ministry of Finance, Planning and Economic Development. This participatory project was established to collect data and information from poor people regarding their own perceptions and definitions of poverty. In 1998/9, the first phase of UPPAP involved a participatory poverty assessment of 67 pilot districts to inform planners on the nature and causes of poverty and appropriate actions for public policy. [11] This consultation provided a perspective on the priorities of poverty eradication by the poor themselves. These priorities have already influenced budgetary allocations and are reflected in the PEAP revision.

The revision of PEAP also drew critical information from the **Poverty Status Report (PSR)**, which the government prepares in the years the strategy is not revised to monitor progress in the implementation of the PEAP. For example, the first **Uganda Poverty Status Report**, which was completed in 1999, drew critical information from the assessment. In addition to revealing the multi-dimensional nature of poverty, one of the findings of the Report was the importance attached by the poor themselves to improved security as a fundamental pre-requisite to all other forms of progress. Banditry, insecurity, and cattle raiding were identified as the most important factors keeping people in extreme poverty. Consequently, the priority areas previously identified for funding by the Poverty Action Fund was expanded to include the restocking of cattle and increased funding for security in communities in northern Uganda affected by banditry and cattle-raiding. The PSR, therefore, is a central component of the PEAP process, providing critical feedback about what appears to work, and what is not as effective in the strategy.

[9] Republic of Uganda, **Poverty Eradication Action Plan (revised), p.7.**
[10] Interview with Mr. Kenneth Mugambe, Acting Commissioner, Economic Development Policy and Research Unit, Ministry of Finance, Planning and Economic Development, August 8, 2001.
[11] ***Uganda Participatory Poverty Assessment Report***, MFPED, January 2000.

Other research bodies such as the Makerere Institute of Social Research (MISR) and the Economic Policy Research Center (EPRC), also based at Makerere University, were actively involved in the analysis and compilation of the PEAP.[12] Such inputs widened the scope and definition of poverty and broadened the ownership of the PEAP. These crucial inputs help balance the sector objectives within a national framework, reflecting new policy challenges brought about by internal and external changes. The sector plans prepared since then (roads, education, health, agriculture) provided more information about costings in each sector, which in turn helped policy makers to estimate the likely cost and resource needs for the objectives of sector plans.

In addition to sector plans, PEAP revision was also informed by a series of consultations with the wider civil society in Uganda. In January 2000, civil society organizations convened a consultative meeting with government and World Bank officials.[13] Over 45 CSOs attended, and a Civil Society Task Force was formed with a mandate to organize an all-inclusive consultation process involving as many sections of the Uganda civil society as possible. The Task Force was composed of representatives of international and national NGOs operating in Uganda.

- **Responsibility for PEAP follow-up and poverty monitoring**

The institutional arrangement for PEAP follow-up involves a number of actors. First, the PEAP Steering Committee will continue to meet to discuss policy challenges in the PEAP. In addition, the Poverty Eradication Sector Working Group, as part of the budgetary process, will be responsible for reviewing the work of all other sectoral groups to ensure that poverty concerns are fully addressed.

Civil society organizations also play a critical role in following up the policy challenge in the implementation of the PEAP. CSOs have established a National Poverty Forum, which will provide a forum for public discussion of poverty and regular review of the implementation of PEAP. The openness of government in providing information on flows of resources has greatly facilitated the activities of national civil society organizations that periodically monitor the progress of PAF programs to assess the extent to which they are benefiting the poor. The district based PAF monitoring committees, made up of local organizations, have been set up to strengthen local accountability. These activities are further strengthening the fight against poverty.[14]

In addition, the Poverty-Monitoring Unit at the Ministry of Finance and Planning integrates annual household surveys, conducted by the Uganda Bureau of Statistics, with other data sources (e.g. participatory analyses, sector surveys, and line ministry data

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[12] Interview with researchers at MISER, August 12, 2001.

[13] **Poverty Eradication Action Plan, (revised), p.9**

[14] Uganda Debt Network, **Monitoring the Implementation of the Poverty Action Fund,** (Kampala: March 2000); Augustine Muserero, "Ugandans Against Corruption", **Policy Review Newsletter, Vol. 1, No.2 (May-August 2000)**

sources) to ensure that policy is continually influenced by poverty data and perceptions of the poor.

Finally, the Economic Development and Policy Research Department within the Ministry of Finance, Planning and Economic Development will continue to be responsible for raising issues of economic policy and ensuring that the policies implemented across Government address poverty-eradication. Technical input will come from the strengthened Poverty Monitoring and Analysis Unit within this department.

(2) The links between the PEAP and the budget process

Until 1992, budgeting in Uganda had traditionally focussed only on the annual budget. Budgeting was not linked to economic planning and often made changes in expenditure allocations only by incremental adjustments in the previous year's budget, rather than reviewing all allocations in the light of an overall budget strategy and unfolding economic conditions. Since the mid-1990s, however, tremendous effort has been made to link resource allocations strategically with national priorities. This has been done through the Medium-Term Expenditure Framework (MTEF), which outlines all public expenditures by a clear analysis of the link between inputs, outputs and outcomes, consistent with the long-term objectives defined by the PEAP. In other words, the PEAP is the main and only instrument that guides the allocation of all government expenditures to ensure macroeconomic stability and maximize the efficiency of public expenditure.[15]

The key linkages between the MTEF and the macroeconomic framework are via the domestic borrowing requirement and the projected new inflows of external financing. Line ministries and districts are provided global budgetary ceilings upon which to base their sectoral allocations within a rolling three-year framework (the first year being the annual budget). The preparation of the annual Budget Framework Paper (BFP) involves detailed discussions with sector working groups to monitor performance of current programs and projects and to review strategy and new financing proposals. Sectoral working groups comprising the Ministry of Finance, line ministries, and technical advisors help develop sectoral priorities within the expenditure limits, ensuring that poverty concerns are fully addressed. These discussions identify implementation bottlenecks, inefficiencies in existing operations, and potentially unsustainable imbalances in the size of the recurrent and development programs. The discussions also take into account upcoming policy initiatives in order to ensure that all new policies are comprehensively costed to reveal the full extent of their fiscal implications, and to propose how the government's expenditure program can be adjusted in light of new policy priorities. In this regard, government has been committed to develop the capacity of institutions **to reprioritize spending needs and reallocate expenditures in a financially disciplined way.**

Local government officials also prepare medium-term expenditure plans to better reflect district priorities and to bring local governments into the medium-term expenditure

[15] Interview with Florence Kutesa, Director of Budget, Ministry of Finance, Planning and Economic Development, (Kampala: August 8, 2001).

process. The level of expenditure is determined by the resource envelope, which takes into consideration the macroeconomic environment and the prospects for resource mobilization. Government, therefore, utilizes the MTEF to allocate its resources in line with the spending priorities articulated in the PEAP.

The preparation of the MTEF involves other actors besides the government. In the last few years, the government has deliberately sought to involve a much wider range of stakeholders in the budget consultative process. And more recently, there has been attempt by the government to broaden the consultation of the Budget Framework Process (BFP) by increased discussion with donors in order to harmonize the consistency of government assumptions regarding external financing with actual donor financing plans. As a result, donors are increasingly inclined to contribute to a common pool of resources to achieve the agreed sectoral objectives. This approach has allowed the budgetary process to become more strategic and also more participatory.

The budget framework in Uganda has, therefore, been an important instrument for the achievement of sustained macroeconomic stability and poverty reduction. By setting out future limits on aggregate expenditure consistent with low inflation and exchange rate stability and explaining the rationale for such limits, the BFP has guided the expectations of Ministries and districts about future resource availability and helped in setting realistic budgets. In addition, the development of sustainable aggregate expenditure ceilings over the medium term has provided a fiscal framework for more realistic appraisal of key policy changes (such as increased expenditure on roads and commitments on universal primary education).

The PEAP and the budget process have brought noticeable institutional changes in the nature of economic policy decision-making. One key aspect has been the increased role of districts in the development, selection, and implementation of the PEAP. The second has been the growing partnership between government and civil society. Finally, the PEAP has created a more open political environment where previously sensitive issues (e.g., land ownership, women's empowerment, security, corruption, and governance) are now part of the policy dialogue.

(3) Financing arrangement for the poverty eradication strategy

The extent to which PEAP objectives will be met depends largely on sustainable and long-term availability of resources. At this stage, nothing definitive can be said about the overall relation between the priorities identified in the PEAP and the projected resource envelope. Given Uganda's heavy dependence on donor resources, this is a great concern to government.

Long-run macroeconomic projects are being developed by the government to estimate the long-run availability of resources. There are four major uncertainties. First, revenue growth depends on GDP growth. Secondly, the speed at which revenue can increase is hard to predict exactly at the medium-term. Thirdly, the foreign exchange rate will affect the domestic value of foreign inflows and will have varying effects on the effective

deflator for different sectors of government expenditure. Finally, the level at which current levels of external flow will continue is difficult to predict.

While the PEAP is implemented on an annual basis through the Mid-Term Expenditure Framework (MTEF) under a resource constraint, the long-term allocation of priorities needs a long-term perspective on objectives and resources. The government recognizes the need to provide Ministries and districts with a long-term planning perspective and has proposed that a ten-year Long-Term Expenditure Framework (LTEF) be developed. While this may not be as detailed as the MTEF, it would provide a realistic and consistent resource framework for each sector. The LTEF would also examine the implications of long-term financing options, for example, the trend in the level of aid dependency and the size of the fiscal deficit.

The benefit of such an approach was demonstrated by an earlier partial attempt to cost the target in the water and rural roads sector.[16] This attempt showed the scale of the shortfall in funding. As plans for the different sectors have started at different times, the basis of the cost estimates varies considerably across the sectors, besides being outdated and unrealistic. As a result, meeting planned targets has been constrained by realistic assessment of the overall funding likely to be available for each sector. Both the roads and health sectors have since received large shares of extra funding coming available from the debt relief and total funding to these two sectors has nearly doubled in real terms.

Progress and achievements of the PEAP today

Government has categorically identified poverty eradication as the main goal of its development strategy. Since the formulation of the PEAP in 1997, government has committed increased resources for poverty eradication program, both through the regular budget and the Poverty Action Fund. Data extracted from the 2001 budget speech show increased investment in high priority areas:[17]

- In the **Education Sector**, while primary education took up 19.8% of the budget in 1994/95, it now accounts for 26.8 percent. In monetary terms, spending has gone up from Shs.117 billion in 1994/95 to Shs. 402 billion for 2000/1, an increase 344 percent. Enrollment in primary schools has increased from 5.3 million in 1997 to 6.5 million in 1999. It is projected to rise to 7 million by 2010. The number of teachers has increased from 94,000 in 1998/99 to 125,000 in March 2000.
- The **health sector** now accounts for 7.6 percent of the budget. In 1994/95 the amount spent on health was Shs.47 billion. This has increased by 240 percent to Shs.114 billion.
- The budget for the **roads sector** is now 9.2 percent of the total budget compared to 4.4 percent in the 1994/95. The outlay has increased by 534 percent from Shs.25.8 billion in 1994/95 to Shs.137.7 billion in 2000/1.

[16] Budget Framework Paper 1998/99; Background to the Budget 1998/99, pp.71; 87.

[17] Republic of Uganda, **Budget Speech: Economic Growth and Structural Transformation**, delivered at the meeting of the 5th Session of the 6th Parliament, June 14, 2001

- **The PEAP/PRSP** emphasizes the strategic role of agricultural development in poverty reduction. **A Plan for Modernization of Agriculture** (PMA) has been finalized.[18] Agriculture is the mainstay of the Ugandan economy, employing 80% of the population and contributing to 40% of GDP. Yet, the sector is allocated a mere 1.4% of the total public expenditure. With the adoption of the PMA, investment in the sector is expected to increase.

Despite these impressive achievements, however, the full realization of PEAP objectives is dependent on a number of internal and external factors. Vulnerability to external shocks, such as the recent collapse in coffee prices, and continued problems in revenue collection and implementation bottlenecks at the district levels are some of the problems that will determine the success of the PEAP.

- **Can PEAP Objectives be realized?**

There are tremendous difficulties in attempting to cost the PEAP. Since completion of the PRSP in May 2000, the government has prepared initial estimates of costs of PEAP programs to reach the set targets. The preliminary conclusions are that the implementation of PEAP/PRSP and reaching the set targets will take longer than initially expected. The scale of the expenditure challenge posed by the PEAP is enormous. The preliminary estimate has revealed a significant gap on the order of 37 percent between current and required spending levels to implement the overall PEAP/PRSP program.[19]

For example, in FY2000/01, the combined total spending by government and by donors is budgeted to be 2,120 billion shillings (excluding arrears and amortization payment). If all the PEAP plans that have been costed were to start in 2002, this would require an additional 1,200 billion shillings – an increase of 60 percent or some $750 million over what is currently provided in the 2000/01-budget[20]. In a low resource scenario, the amount available increases by 120 billion shillings a year (or $75 million) in real terms. This would imply waiting for at least 10 years until there were sufficient resources to even start all the five/ten year investment plans referred to in the PEAP.

Even in the high resource scenario, full implementation of PEAP programs could only be afforded after 7 years. Taking the 2000/01 budget as a base, one analyst concluded that PEAP targets have to be scaled down considerably:

- In **Agriculture**, only 10-20 percent of the households would benefit from agricultural advisory services, instead of the projected 80 percent. Structures to implement the Land Act would be funded for only six districts instead of all the districts.
- In **Education**, the pupil to teacher ratio would remain at 50 to 1 and it would take 10-15 years, not five years, to ensure each primary school class has a classroom. Teachers would forfeit pay increases and it would take over 20 years for each primary

[18] Ministry of Agriculture, Animal Industry and Fisheries, ***Plan for the Modernization of Agriculture,*** Kampala (August 2000).
[19] MFPED, UGANDA POVERTY STATUS REPORT 2001, (March 2, 2001), p.12
[20] MFPED, **Poverty Eradication Action Plan (2001-2003), Volume 1 (February 2001), Table 7.2, p. 146**

school pupil to have basic textbooks or for each sub-county to have a Government aided secondary school. It would also take as long to construct the targeted 850 community polytechnics originally intended to be built in five years. In addition, there would be no significant reduction in the rate of adult illiteracy compared to the target to bring it down from 48 percent to 20 percent in five years.

- In the **Health Sector**: Fifty percent of the parishes would have a Health Center staffed by half the expected number of personnel who would expect no pay increases. Hospital renovations and further upgrades of health centers would be seriously curtailed.[21]

These are not the only problems confronting the government. Already, the 2000/01 Budget is heavily dependent on external sources for funding. About 53 percent of the budget comes from loans and grants.[22] It is unlikely that this high-level of resource flow can continue. The prospects that domestic resource mobilization would improve significantly to offset donor resources in the short and medium-terms are extremely dim. Consequently, the government has revised the PEAP/PRSP targets. Given the changes, government views costing as a regular exercise that will be addressed through the MTEF process.

Table 1
Costing the poverty Eradication Action Plan
Budget 2000/01

Sector	Annual PEAP requirements	Current Spending (2000/01	Increase required	% increase
Roads	346	276	70	80%
PMA	278	117	161	42%
Education	813	435	378	54%
Health	415	219	196	53%
-Water & Sanitation	212	89	123	42%
-Justice/law	186	91	95	49%
-Other PEAP programs	121	63	58	52%
-Other MTEF programs	985	826	159	84%
-Total All Programs	3356	2115	1240	63%
Total as % of GDP (2000/01)	35%	22%	13%	

SOURCE: adapted from Table 7.2, Poverty Eradication Action Plan (2001-2003), Volume 1

[21] Warren Nyamugasira, "We May be forced to lower standards: A commentary", *Policy Review Newsletter,* Vol. 1, Issue 2 (May-August 2000), p.3

[22] MFPED, **Budget Speech: Economic Growth and Structural Transformation** delivered by the Minister of Finance, Hon. Gerald M. Ssendaula, to the 6th Parliament of Uganda (June 14, 2001).

As it stands now, the fiscal sustainability of PEAP programs are in question as they are influenced by domestic and exogenous factors. In the past two years, for example, economic activity has slowed down, with real GDP growth declining to 5 percent in both 2000 and 2001, far lower than the projected 7 percent.[23] 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 sectors. For example, the dramatic decline in the price of coffee in world markets and the sharp increase in the price of oil are expected to impact projected revenues next year. As a result, Government may have to readjust planned expenditures in the next fiscal year.

For a poor country such as Uganda, the options for bridging the resource gap are few. Those under consideration include increasing resources through improved tax collection; reducing the cost of projects; and prioritizing PEAP program. Other options government is considering for bridging the gap include achieving a higher implementation rate for donor resources; efficiency savings; and cost sharing. All these are daunting tasks that are very difficult to administer in the short-term. Progress in mobilizing domestic resources to finance public services has remained very slow despite modest increases between 1991 and 1997 as a result of the establishment of the Uganda Revenue Authority. The domestic revenue to GDP ratio has remained between 11-12 percent of GDP throughout the 1990s.[24] This ratio is low by the standards of Uganda's revenue performance in the 1960/70s and by standards of other Sub-Saharan African countries, many of which have proportions about 20 percent.

The current level of revenue efforts reflects deficiencies in tax administration, a narrow tax base, and a culture of non-compliance and corruption. Improvements in revenue performance are thus likely to emanate from reforms in these areas. Government is implementing a number of reforms to improve tax collection and administration, and to reduce corruption and the incidence of cross-boarder smuggling.[25]It will be some time before these reforms bear visible results.

Besides the issue of resources for realizing a significant proportion of PEAP objectives, corruption has been identified as another critical factor hampering Uganda's effort at combating poverty. Both the government and civil society organizations are waging a war to stamp out corruption. But this will require infusion of needed resources to the numerous anti-corruption agencies so that they can carry out their tasks effectively. Unless there is transparency and accountability in the way public institutions carry out their mandates, individual and institutional investors are unlikely to participate in legitimate commerce and trade.

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[23] Budget Speech (June 2001), pp.2-3; PSR 2001, p.6

[24] Ministry of Finance, Planning and Economic Development, **Poverty Status Report 2001**, (Kampala: March 2, 2001), p.9

[25] The Government's "Strategy and Plan of Action to Fight Corruption and Build Ethics and Integrity in Public Office" was published in June 2000.

(4) In-country consultation process with stakeholders

One of the central features of the PRSP is the requirement that governments consult civil society organizations in the formulation and implementation of poverty strategies. While this is a novel concept, it does not necessarily work out smoothly in countries where there is no prior dialogue between civil society and government. Uganda has been the exception. The formulation of the country's PRSP coincided with the revision of its Poverty Eradication Plan developed in 1997. In this sense, Uganda was not starting from scratch. The PEAP review took more than two months, from December 1999 to the end of January 2000, to get government, donors and civil society to agree on the conceptual framework. This kind of consultation to map out the contours of a conceptual framework is a rarity in Africa.

Preparations of the revised PEAP as well as the implementation of the Poverty Action Fund (PAF) remain a highly participatory process. Government recognizes that the planning system does not consist of decision-making by a single institution at the center. Rather, the system involves the interaction of a number of processes and actors within an overall framework. As such, the process is much more dynamic and responsive to changes in policy priorities and/or resource constraints.

The first step in the preparation of the PEAP revision involved the establishment by the Ministry of Finance, Planning and Economic Development (MFPED) of a PEAP Steering Committee composed of representatives of all sector-working groups involved in the Medium Term Expenditure Framework (MTEF) exercise in order to ensure closer coordination between the two exercises. A Participatory Action Plan was drawn to ensure that all stakeholders contributed effectively to the drafting process. The Steering Committee was responsible for overseeing both the preparation and implementation of the PEAP. An initial "discussion" draft was circulated to a wide range of stakeholders to stimulate dialogue and debate. The consultation process involved six stages:[26]

- **General Consultative workshop**: The revision process includes two major consultative meetings involving wide representation of stakeholders (politicians, ministries, donors, NGOs, private sector, civil society, urban and rural authority representatives, and media). The workshops reviewed current drafts and provided detailed comments on policy issues arising from the drafts.
- **Regional meetings for district officials**: The Ministry of Finance, Planning and Economic Development along with the Ministry of Local Government, conducted some regional workshops to explain the PEAP, UPPAP findings, and budget issues. District officials were presented with drafts of the revised PEAP at a series of regional workshops. The Civil Society Taskforce also promoted discussion of PEAP-related issues within district and communities.
- **Donor consultations**: In addition to participation in the general consultative workshops, the revised PEAP was presented at the Kampala Donor Consultative Group meetings in March 2000.

[26] MFPED, **Poverty Eradication Action Plan (revised), pp.9-10**

- **Political consultation**: In addition to attendance at the general consultative workshops, another meeting for members of all **parliamentary sessional committees** was held in February 2000. Specific sessional committees responsible for different sectors were also consulted.

Adequate feedback mechanisms were established to ensure that all stakeholders contribute effectively to the drafting process. In addition to granting adequate time for stakeholders to respond, government actively followed-up to ensure that written response is received from every district and sector ministry. Later drafts incorporate the results of this wider consultation. At the end of the consultative process, the revised document was presented to Cabinet and approved in November 2000.

The involvement of a much larger number of agencies and stakeholders, including donors, in the planning process makes it important that planning linkages are clearly specified and understood, and that the plans are supported by a realistic budget. Substantial effort is being made to improve the partnership process in Uganda. Participatory approaches have increasingly been adopted both for sector plan preparation and monitoring and appraisal exercises.

Engagement of civil society

The revised PEAP builds on several major efforts to engage civil society in recent years, namely the original PEAP itself, the "**Vision 2025**" exercise, the **Uganda Participatory Poverty Assessment Project (UPPAP)**, and the **Structural Adjustment Participatory Review Initiative (SAPRI)**. Supported by UNDP, the "Uganda Vision 2025" exercise was a major effort to include civil society in the development of a national dialogue on the future of Uganda. An initial document based on thematic papers was used for broad national consultations with a wide variety of interest groups. The revised draft was distributed to the public and a national dialogue was undertaken as a continuous process using seminars and discussions in both print and electronic media.

The SAPRI is a global initiative between the World Bank, several of its members, and an international civil society network steering committee, which works with civil society in the participating countries to assess the impact of structural adjustment policies and to identify how best civil society could help to improve the effectiveness of economic reforms in improving the lives of ordinary people. Uganda is one of a small group of developing countries taking part in SAPRI. Government participation and the representation of civil society and NGOs have been determined by a broad, inclusive selection process led by local civil society organizations.

Given this track record in involving civil society in critical policy decisions, it was not unusual for the Government of Uganda to open the process widely and to allow CSOs to participate in the PEAP/PRSP process. Spearheaded by the Uganda Debt Network (UDN) and Oxfam, a Civil Society Poverty Task Force was established in January 2000. The Uganda Debt Network (UDN), which chairs the Task Force, became the lead agency for civil society participation in the PEAP/PRSP process, and the chairperson sits on the

PEAP Steering Working Groups and other Sector Working Groups (SWGs) in the Ministry of Finance, Planning and Economic Development. After extensive district-level consultations and some public meetings in Kampala, the CSO Task Force presented a report to Government on earlier drafts of the PEAP, which has influenced the final draft.[27]

Finally, civil society has been involved in the implementation and monitoring of the Poverty Eradication Action Plan (PEAP). Under the ***Uganda Participatory Poverty Assessment Process (UPPAP)***, efforts have been made to bring the voices and perspectives of the poor into national and district planning for poverty eradication. The UPPAP is a partnership between government, donors, district authorities, NGOs, academic institutions and Oxfam (as the implementing agency). But most importantly, it is also a partnership with the poor people themselves who were directly consulted by the researchers.[28] The approach utilized participatory methods to complement the traditional household survey methods, based on a broader definition of deprivation, including risk, vulnerability, physical and social isolation, powerlessness and insecurity of person and property. CSOs are also involved in monitoring of PEAP implementation. The Uganda Debt Network (UDN) is the focal point and is part of the National Poverty Monitoring Network (PMN), an initiative by the Ministry of Finance to coordinate institutions involved in poverty monitoring in order to ensure that the goals enlisted in the PEAP are achieved.

(5) HIPC Debt Relief and the Poverty Action Fund (PAF)

Uganda'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 the Poverty Action Fund (PAF) in 1997 have been the key instruments ensuring that public resources are allocated to poverty reducing activities specified in the PEAP. This pro-poor budget process received a major boost when the IMF and World Bank introduced the Heavily Indebted Poor Countries (HIPC) Initiative in 1996 to reduce the debt stock of debt-stressed poor countries.

Uganda was the first country to benefit from HIPC I. However, due to its limitations in providing substantial debt relief to poor countries, the IMF and the World Bank launched in 1998 the Enhanced HIPC initiative to provide faster, deeper and broader debt relief, and strengthen the links between debt relief and poverty reduction. These envisaged improvements were to be achieved by linking debt relief to a Poverty Reduction Strategy Paper (PRSP) produced by the country. Uganda did not have to reinvent the wheel since it had already produced the Poverty Reduction Action Plan (PEAP) in 1997. A summary of Uganda's revised PEAP was presented to the Donor Consultative Group (CG) meeting that was held in Kampala in March 2000 and it was accepted by the Boards of the IMF and the World Bank as its Poverty Reduction Strategy Paper (PRSP).

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[27] Personal interview with Zie Gariyo, coordinator of Uganda Debt Network (August 12, 2001).
[28] MFPED, *Uganda Participatory Poverty Assessment Report*, Kampala (January 2000).

Thus, Uganda became the first country to benefit from both HIPC initiatives. To this effect, the country obtained approximately $45 million in relief in the Financial Year 2000/01. Relief is projected to increase to $55 million in each of the Financial Years 2001/02 and 2002/03. Taken together, the HIPC-I and HIPC II debt relief initiatives are producing savings of approximately $90 million annually on Uganda's repayment of foreign debts. All the savings from debt relief are being committed to poverty eradication through the Poverty Action Fund (PAF), a Government of Uganda mechanism for mobilizing savings from debt relief and donors to finance poverty priority areas identified in the PEAP.[29]Through the PAF, donors have almost doubled their contribution to poverty programs in the financial year 2000/01.

Uganda's eligibility for debt relief acknowledges the effectiveness of Uganda's poverty reduction strategy to date. In addition, the highly open and participatory approach, involving civil society and the poor themselves together with Government's continued commitment to policies ensuring economic stability, have gained Uganda international acclaim.

Table 2
Debt Relief under the HIPC Initiative

	Original Framework HIPC I	**Enhanced framework (HIPCII)**	Total
Decision Point	April 1997	February 2000	
Completion Point	April 1998	May 2000	
NPV of Debt to export ratio	202%	150%	
Assistance at Completion Point (US$M):			
1. Bilateral	73	110	183
2. Multilateral	273	546	820
3. Total	347	656	1003
4. IMF	69	91	160
5. World Bank	160	357	517
6. Estimated total debt service relief	650	1300	1950
7. Reduction in NPV of debt	20%	37%	

Source: MFPED, ***Fighting Poverty in Uganda: The Poverty Action Fund,*** Table 3, p. 17

[29] Ministry of Finance, Planning and Economic Development, **Fighting Poverty in Uganda: The Poverty Action Fund,** (Kampala: 2001)

- **Relations between the PAF, the PEAP and the Budget Process**

The PAF is not a separate fund, but fits within the overall MTEF/Government budget. It ensures that expected resources from debt relief and donors are allocated towards key poverty reduction activities identified within the PEAP/PRSP: **universal primary education; primary health care; safe water and sanitation; agriculture; and rural roads**. 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.

PAF resources have increasingly become a major component of the Uganda budget. The share of the PAF in total public spending (including budget support, but excluding donor projects) has risen rapidly from 17 percent in 1997/98 to 31 percent in 2000/2001. It is primarily funded from three major sources:[30]

- **Government's own contribution**: This has remained the largest component of PAF resources, at 35% in 2000/01, and is expected to increase substantially. Government is committed to increasing PAF as a proportion of the Uganda budget year after year. By 2002/3, the share of PAF programs in the government budget will have doubled since 1997/8 from 16.3% to 32.5%.[31] This means that even without debt relief and donor support, Government spending on poverty programs would have risen substantially and will continue to rise.
- **Debt Relief**: The savings on debt service payments from debt relief increased substantially the amount of Government's own revenues available for poverty reduction programs. The savings from Uganda's qualification for both the original and enhanced HIPC amount to 34% of PAF resources in 2000/01. This means that overall Government's own contribution, including debt relief, takes the lion's share of 69% of total PAF resources.
- **Donor budget support**: Importantly, the PAF has also increased the confidence of donors to provide support. Donor budget support has increased substantially, from Shs 34 billion in 1998/9 to Shs 141 billion in 2000/01, and now makes up 31% of PAF resources. The number of donors contributing to the PAF has also increased from three to eight, and more donors are considering directing funds through the PAF.

The flexibility of support from debt relief via the PAF has allowed government to allocate its funds according to its own priorities, as laid out in the PEAP. It is reducing Uganda's reliance on expensive implementation via traditional donor funded projects. As a result, the rate of implementation of the PEAP has been accelerated both through

[30] Republic of Uganda, **Budget Speech: Economic Growth and Structural Transformation**, delivered by the Minister of Finance at the meeting of the 5th Session of the 6th Parliament, June 14, 2001, Table 4.
[31] Ministry of Finance, Planning and Economic Development, **Uganda's Poverty Eradication Action Plan: Summary and Main Objectives**, (Kampala: March 24,2000), p.22

increased levels of resources and increased value for money. The impacts are starting to be seen in changes in people's lives as seen in Table 3.

Table 3
POVERTY ACTION FUND EXPENDITURE BY PRIORITY AREAS
In billions of Ugandan Shillings

Sector	(pre-PAF) 1997/8	1998/9	1999/00	2000/1	2001/2	2002/3
Rural Roads	8.9	20.1	24.5	28.7	29.5	30.3
Agriculture	0.6	0.2	10.3	20.5	22.8	24.2
Primary Health Care	4.6	20.7	21.1	57.3	73.3	103.8
Safe Water & Sanitation	4.1	12.3	17.4	33.5	35.3	35.4
Universal Primary Education	126.9	169.5	211.0	258.2	260.3	275.6
Anti-corruption	3.9	7.7	10.6	17.3	18.3	20.8
Other[32]	0.5	1.4	7.4	19.2	28.8	38.6
Total	**149.5**	**231.9**	**302.4**	**434.6**	**468.4**	**528.7**

Source: Ministry of Finance, Planning and Economic Development, Directorate of Budget.

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" earmarked exclusively to the five priority areas on the basis of guidelines established by the Ministry of Finance, Planning and Economic Development (MFPED). Currently, there are 27 conditions grants, each requiring its own separate accounting procedures. PAF is therefore, helping to empower local governments by rapidly expanding the resources available to them for service delivery, whilst ensuring that they are spent on poverty reducing interventions. Moreover, whilst other programs

[32] This includes land reform, adult literacy.

within the MTEF may be subject to cuts due to resource availability during budget implementation, Government guarantees that the funds budgeted for PAF programs will be 100% available over the financial year.[33]

- **Improving Accountability in PAF**

The implementation of PAF has been equally participatory, involving NGOs, civil society, government ministries, district officials, donors, and the private sector. In order to maximize the impact of resources directed to poverty programs on the ground and to tackle corruption, a transparent budget process with multiple channels of accountability (local constituencies, such as local authorities, press, community groups, NGOs, and donors) has been developed. In addition, 5% of all PAF resources are set aside for improving the effectiveness of accountability institutions such as the Inspectorate of Government, the Auditor-General, and Treasury Inspectorate.

To enhance transparency, the Ministry of Finance, Planning and Economic Development organizes and chairs quarterly meetings involving all the stakeholders (government, parliamentarians, the press, donors and civil society) to discuss the implementation of PAF at which line ministries present the reports of disbursements and activities carried out. These quarterly meetings provide a forum for making suggestions for changes in the implementation structure and processing of the fund. The government is also piloting a new system where local governments can only access funds once they have reported on the progress achieved using previous funds remitted to them. At a more micro level, Government has started monitoring performance indicators to track the overall progress towards achieving the PEAP goals.

A third instrument of ensuring accountability has been providing information to the intended beneficiaries about PAF programs. Radio messages are used to inform the public on how they might go about accessing PAF resources. The level of funds going to different districts is published in national newspapers on a monthly basis. In the education sector, for example, budget allocations for schools are posted on some school notice boards.

A high proportion of grand corruption cases result from procurement. In the late 2000, government gazetted new procurement regulations for ministries, departments and agencies. Under the new regulations, the Central Tender Board is to guide and supervise the work of procuring entities. Each procuring entity is to establish a contract committee that will be responsible for rewarding contracts. Open tendering is required, nationality may not be used to exclude a contractor, and advertisement must be used to attract foreign competition.[34] These measure help to ensure that government funds are properly accounted for and that any incidents of corruption are identified and addressed. With improvements in financial management systems throughout government, these measures are resulting in increased effectiveness of resource use and greater public scrutiny.

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[33] Personal interview with Florence Kutesa, Director of Budget, Ministry of Finance, Planning and Economic Development, (Kampala: August 8, 2001).

[34] MFPEC, **Uganda Poverty Status Report 2001,** (March 2, 2001), p.18

(6) The PEAP framework and the nature of donor relations

The PRSP is expected to bring about substantial changes between partner countries, the IFIs, and donors. Donors are expected to coordinate their support in line with the government's PRSP (i.e., regarding finance, procedures, and reporting) as long as there is good country performance and demonstrable improvements in governance.

In Uganda, one sees increasing commitment by donors to the provision of budgetary support through the PAF mechanism. Far from making fungibility easier, the injection of budget support through the PAF mechanism allows a more transparent understanding of the additionality of donor resources than was ever possible with the funding of individual projects. As indicated in Table 4, the 1999/2000 budgeted figures represent approximately 52% increase in additional expenditures by the government as a result of increase in PAF resources.

Table 4
Additional donor Budget Support to different sectors
1998/99 – 2002/3
In Billions of Ugandan Shillings

Donor and by sector	1998/99	1999/2000	2000/2001	2001/2002	2002/2003
Primary Health Care:					
Sweden		--	4.06	4.73	5.07
UK		--	12.81	27.41	47.15
Belgium		6.00	9.76	7.56	10.14
Ireland		--	1.62	6.92	9.15
Sub-total		6.00	28.25	46.61	71.51
Primary Education:					
Netherlands	5.04	20.69*	7.03	18.30	19.63
UK	4.72	17.00	8.00	8.24	9.19
Ireland	--	5.11	4.49	3.76	4.06
USAID	--	8.00	12.98	15.12	16.22
EU	--	12.22	17.35	12.57	13.49
CIDA	--		--	2.44	2.62
Sub-total	9.76		48.84	60.42	65.20
Plan for Modernizatio					

[35] Support for improvement of rural feeder roads.

n of Agriculture:					
UK	--	--	**1.45**	--	--
EU	--	--	--	**42.56**	--
Netherlands	**5.04**	**20.69**[35]	--	--	--
Sub-total	**5.04**	**20.69**	**1.45**	**42.56**	--
Water & sanitation:					
Austria				**1.89**	**2.03**
Sub-total				**1.89**	**1.89**
District Development:					
Netherlands			**6.63**	**10.89**	**10.85**
LGDP			**26.10**	**30.47**	**46.64**
Sub-total			**32.73**	**41.35**	**57.49**
Total Donor Support			**112.28**	**192.84**	**196.23**
Donor Support as % of Total PAF Resources					

Source: Republic of Uganda, **Budget Speech: Economic Growth and Structural Transformation,** Delivered by the Minister of Finance, June 14, 2001, adapted from Table 4.

Risks and threats:

- ***Corruption***: Recent studies conducted by the Auditor General reveal that the level corruption, wastage and misuse of public resources have reached alarming proportions in Uganda. This has destroyed whatever vestiges of trust people had in the authorities for effective use of resources and good governance as a whole. Unless there is transparency and accountability in the use of national revenue, citizens will not willingly pay taxes. Numerous anti-corruption agencies such as the Inspector General, the Director of Public Prosecution, the Auditor General, and the Ministry of Ethics and Integrity, as well as the police have been assigned to fight corruption. However, most of them are very weak and lack capacity to do their work. A weak legal system and a lack of political will undermine the fight against corruption.

Good governance, therefore, not only means putting in place democratic principles, but ensuring that the principles are reflected in all national policies and adequate resources are allocated to anti-corruption institutions. Governance systems must be tightened to ensure accountability and transparency in the use of national resources, linking taxes to service delivery in terms of both quality and quantity, and the eradication of corruption.

- ***Aid dependency***: Uganda is an aid-dependent country. In the FY 2000/1, foreign aid accounted for 53 percent of government budget. The absolute level of external assistance is projected to remain high for the foreseeable future. This high level of dependency reduces the sense of policy ownership. Moreover, aid can be an extremely unstable source of finance; the government must develop an "exit strategy" before exposing the economy to external shocks. Moreover, the government's actions to eradicate corruption at national and local levels will determine the level of donor support in the future.

- ***Major obstacles remain that hamper private sector development***: Poverty reduction depends on economic growth; economic growth depends on macroeconomic stability and creating a conducive environment for domestic producers to save, invest and produce. Recent business trends indicate that macro-economic stability, though a key ingredient for a macro-economic environment that encourages both growth and entry of new firms is not of itself a sufficient factor for private sector growth. To encourage private sector growth, it is essential to concentrate efforts on reducing the cost of doing business in Uganda. These include provision of affordable, good quality infrastructure and services such as electricity and transportation; improving the banking sector and ensuring the availability of long-term financing to domestic entrepreneurs; and ensuring a strong legal and regulatory framework that allows honoring of loan contracts so that risk is reduced.[36] Full implementation of the government's medium-term competitive strategy for the private sector will go a long way in improving the business environment in the country.[37]

- ***Weak capacity in budget management and expenditure tracking***: Financial management both in central and local governments is weak. While Uganda has a good budgeting system, accounting for public expenditures using the present manual system is weak because of disregard for timely and regular recording of transactions and lack of financial discipline. Findings of Audit reports are not regularly followed up. There is acute shortage off 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 aid, fees/levies collected by local governments, and various government departments. In principle all non-tax revenue should be collected in the single treasury account.

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[36] Angela Katama, "Strategy for Private Sector Development in Uganda: Key Issues", paper presented at the Uganda Consultative Group Meeting, Private Sector Forum, (March 21, 2000).

[37] Republic of Uganda, **Medium-Term Competitive Strategy for the Private Sector (2000-2005)**, Ministry of Finance, Planning and Economic Development, (Kampala: February 2001).

The government has tried to rectify the problem by establishing a coordination mechanism for monitoring reform programs in financial management. The appointment of an internationally qualified accountant as Auditor General, the introduction of consolidated quarterly reports on budget implementation and the appointment of additional accountants at central and district levels is expected to bring significant improvement in budget management and in expenditure tracking. An Integrated Financial Management Information System (IFMIS) at central government level is expected to be introduced soon.

- ***Poor infrastructure for monitoring and tracking outcome***: Investing huge resources in poverty programs is meaningless if there is no capacity to track and measure actual outcomes on the ground. At present, monitoring and evaluation in Uganda remains overly centered on compliance with government rules and regulations and tracking inputs and processes, rather than the end results of policy, program and project efforts. The collecting, organizing and using of M&E data are compartmentalized and fragmented between multiple government and donor planning and progress reporting requirements. Government is, therefore, burdened with reports, but has little systematic information about the performance and effectiveness of actual public service delivery. Since 2000, however, government has established a task force to prepare an action plan to streamline and strengthen M&E. In FY2000/01, government worked on a national poverty monitoring strategy, which will be finalized in 2001. Further, harmonizing of different project progress reporting formats has started, with potentially substantial savings for government.

Conclusions and lessons learned

According to the most recent National Household Survey, the number of Ugandans living in absolute poverty has fallen dramatically from 56 percent in 1992, to 44 percent in 1997 and 35 percent in 2000. Government economic policy combined with large increases in spending on infrastructure and services, have profoundly contributed to the fall in poverty incidence. The key lessons learned from the Ugandan experience are the following:

- **Macroeconomic stability is essential for sound poverty reduction strategy**: Following the introduction of a sound macro-economic management regime in the early 1990s, the Ugandan economy has experienced several years of macro-economic stability. This is evident by several years of single-digit inflation and a fairly stable exchange rate. The government has been able to build its poverty reduction strategy on the gains won by the stabilization policies of the 1990s. With the introduction of the Poverty Eradication Action Plan of 1997, government has been able to redirect spending into priority areas considered essential for tackling poverty. Without a stable macro-economic environment and positive growth rates, the government of Uganda would not have been able to make as dramatic an attack on poverty as it has.

- **Good strategies depend on full 'country ownership':** Country ownership and donor support of strategies can be difficult to achieve. There is always a tension between the time need to build country ownership and to prepare a well-crafted PRSP within the initiative's deadline. The Uganda case is the exception. Uganda did not have to start from scratch since it had already produced the Poverty Reduction Action Plan (PEAP) in 1997 in consultation with civil society and other stakeholders, long before the IMF and the World Bank invented the PRSP. The lesson from Uganda is that real country ownership should be an outcome of authentic and fully participatory process—which takes time. Moreover, country ownership of the PRSP should come to grips with practical operational issues that take time to resolve.

- **Good in-country consultations depend on full government commitment:** The Uganda experience of civil society participation in the preparation of a PRSP shows that government commitment to these consultations is essential. In spite of the Bretton Woods institutions insistence that civil society participate in policy decisions, most governments in Africa are not yet ready to accept CSOs as serious stakeholders in policy planning. The Government of Uganda ensured that CSOs were given enough space in the PEAP/PRSP process by organizing independent consultations and incorporating as much of their inputs into the document as possible. This was a very important milestone in changing government-civil society relationships in Uganda.

- **Effective participation depends on the adequacy of information:** Donors see the participation of civil society as a way to identify the needs of the poor and monitor government activities. However, civil society cannot effectively participate in policy decisions if critical information is not disclosed in advance. Where information is not on the table, there are not open debates and there is less chance for a social consensus around the choices embodied in the PRSP.

  The Ugandan government has done exceptional job not only in opening the door for civil society participation, but also in providing as much information as required by the CSOs. The draft PEAP/PRSP was broadly circulated in advance of the national consultations. This document was synthesized and a four-page summary was produced to guide the facilitators of the consultation workshops. The government furthermore allowed CSOs to attend as full members the meetings of the National Task Force (NTF) comprised of senior government officials. Widespread consultations and incorporating the perspectives of different stakeholders was a critical element of the PEAP review and in developing effective diagnoses of key casual linkages, which produce and reproduce forms of deprivation.

- **Good strategies depend on good quality data:** Quality data and multidisciplinary research are the foundations for sound policy decision-making. Effective formulation of policy to address structural poverty requires an understanding of key dimensions of differences affecting the well being of citizens. By African standards, Uganda is fortunate enough to have a number of mechanisms to gather and process research data to inform public policy. While much still remains to be done to strengthen data

collection and analysis, the **Uganda Participatory Poverty Assessment Project (UPPAP),** the annual **Poverty Status Report (PSR), the National Household Survey**, and other relevant sector plans continue to provide policymakers critical feedback about what appears to work, and what is not so effective in the national anti-poverty strategy. Moreover, other research bodies such as the Makerere Institute of Social Research (MISR) and the Economic Policy Research Center (EPRC) are engaged in the analysis and compilation of critical research that are fed to relevant government institutions. Such inputs widened the scope and definition of poverty and broadened the ownership of the PEAP.

- **Good strategies depend on adequacy of resources commensurate with the scope of the reforms:** Part of the reason why Uganda has been successful in reducing poverty significantly in a very short period of time has to do with the willingness of donors to provide the much needed resources in a timely fashion. As donors gained confidence in the quality of the government's poverty reduction strategy and the legal and institutional base to support its implementation in a transparent manner, external support above and beyond the HIPC debt relief has been steadily flowing into the government treasury. This has enabled government to increase significantly the amount of resources going directly to poverty reducing sectors.

Appendix 1

List of Persons Interviewed

Mr. Tim Williams, MFPED, Poverty Action Fund
Mr. Kenneth Mugambe, Acting Commissioner, MFPED
Ms. Florence Kutesa, Director of Budget, MFPED
Mr. Godfrey Arnold Dhatemwa, Ministry of Education and Sports, Education Planning
Dr. Ngila Mwase, Economic Advisor, UNDP-Kampala
Mr. Lawrence Nkooto Bategeka, UNDP-Kampala
Mr. Robert Blake, Country Progrmme Manager, World Bank-Kampala
Mr. Zia Ebrahim-Zadeh, IMF Resident Representative
Ms. Tibikoma Annet Mpabulungi, Program Analyst, UNCDF
Dr. Joseph Opio-Odongo, Sustainable Development Advisor, UNDP
Prof. Ephraim Kamuntu, Member of Parliament
Ms. Estella Aryada, Private Sector Foundation
Dr. Warren Nyamugasira, National Coordinator, Uganda National NGO Forum
Mr. Zie Gariyo, Coordinator, Uganda Debt Network
Ms. Taakar Awori, DFID