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Working Paper

The HIPC debt relief initiative: Uganda's social sector reforms and outcomes

WIDER Discussion Paper, No. 2001/138

Provided in Cooperation with:

United Nations University (UNU), World Institute for Development Economics Research (WIDER)

Suggested Citation: Nannyonjo, Justine (2001) : The HIPC debt relief initiative: Uganda's social sector reforms and outcomes, WIDER Discussion Paper, No. 2001/138, ISBN 9291901016, The United Nations University World Institute for Development Economics Research (UNU-WIDER), Helsinki

This Version is available at:

<https://hdl.handle.net/10419/53097>

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Discussion Paper No. 2001/138

The HIPC Debt Relief Initiative

Uganda's Social Sector Reforms and Outcomes

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November 2001

Abstract

Uganda is the first country to benefit from the 1996 Heavily Indebted Poor Countries (HIPC) Initiative, which offers a number of low-income countries an opportunity to negotiate a reduction of their external debt, and is utilizing the savings from the relief to implement social sector reforms, via its poverty eradication action plan (PEAP). This paper assesses the performance of the social sector programmes being implemented. It indicates that even though some progress has been achieved in improving Uganda's social indicators, there are a number of constraints to the reform process: inadequate capacity particularly at the district and community levels; insufficient inputs including teachers and health personnel; and weak accountability of resources. However, implementation of programmes to solve these problems requires additional resources to those that are currently projected from domestic and donor sources, and it is estimated that there is likely to be a resource gap in the country's social development expenditure. An implication is that Uganda will require further financial support in order to be able to significantly improve its social indicators.

Keywords: HIPC debt relief, social sector reforms, Uganda

JEL classification: O11, O19, F34, F35

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This is a revised version of the paper originally prepared for the UNU/WIDER development conference on Debt Relief, Helsinki, 17-18 August 2001.

UNU/WIDER gratefully acknowledges the financial contribution from the governments of Denmark, Finland and Norway to the 2000-2001 Research Programme.

Abbreviations and acronyms

CSOs	civil society organizations
FAL	functional adult literacy
GDP	gross domestic product
GNP	gross national product
HDI	human development index
HIPCs	heavily indebted poor countries
IDA	International Development Association
IMF	International Monetary Fund
NAADS	national agricultural advisory services
NGOs	non-government organizations
NPV	net present value
NWSC	National Water Supply and Sewerage Corporation
PAF	poverty action fund
PEAP	poverty eradication action plan
PHC	primary health care
PMA	plan for the modernization of agriculture
UBOS	Uganda Bureau of Statistics
UNDP	United Nations Development Programme
UPE	universal primary education
UPPAP	Uganda Poverty Participatory Assessment Project
UWONET	Uganda's Women's Network

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UNU World Institute for Development Economics Research (UNU/WIDER)
Katajanokanlaituri 6 B, 00160 Helsinki, Finland

Camera-ready typescript prepared by Liisa Roponen at UNU/WIDER
Printed at UNU/WIDER, Helsinki

The views expressed in this publication are those of the author(s). Publication does not imply endorsement by the Institute or the United Nations University, nor by the programme/project sponsors, of any of the views expressed.

ISSN 1609-5774
ISBN 92-9190-100-8 (printed publication)
ISBN 92-9190-101-6 (internet publication)

1 Introduction

Uganda is the first country to benefit from the 1996 Heavily Indebted Poor Countries (HIPC) Initiative, which offers a number of low-income countries an opportunity to negotiate a reduction of their external debt. The primary objective of the HIPC Initiative was to reduce poor countries' debt burdens to sustainable levels in order to enable them to have more resources to focus on the policies required to overcome other constraints to growth. A key condition for obtaining debt relief was that a country must sustain strong economic performance of macroeconomic policies together with structural and social reforms. In particular, a country qualifying for relief would need to make considerable progress towards poverty alleviation through reforms in the social sector, and to spend the savings from debt relief on the social sector.

Although it is still early in the process, Uganda has made some progress in implementing social reforms via the poverty eradication action plan (PEAP), which has been prepared with broad participation of civil society. It has also made some progress in improving its social indicators and reducing the share of the population living in poverty from 44 per cent in 1996/7 to 35 per cent in the year 2000. Nevertheless, as the reform process proceeds there seem to be a number of constraints to reforms, which could undermine the ongoing efforts towards poverty reduction.

In order to identify these constraints and guide the future course of reforms, this paper provides an assessment of the performance of the social sector programmes being implemented. It discusses how effective the HIPC Initiative is likely to be in linking debt reduction with effective long-term policies for social development and poverty alleviation. Before doing so, however, section 2 provides a background to the evolution and management of Uganda's debt prior to the implementation of the HIPC Initiative, and its possible impact on the provision of social services. Section 3 outlines the process of Uganda's social sector reforms and outcomes. Conclusions and recommendations are presented in section 4.

2 Evolution of Uganda's debt

Uganda has over time been receiving external support to implement its reform programmes. The first attempt of coordinated economic reforms was made in 1981, after the Obote II government received technical and financial support from the IMF and World Bank. This was the first phase (1981-86) of the structural adjustment programmes (SAPs), and involved the implementation of policy reforms aimed at reviving the productive capacity of the economy through restoring price stability, improving capacity utilization in the manufacturing sector; rehabilitating physical infrastructure; and restoring producer incentives, discipline, accountability and efficiency in the public sector.¹ It is also during this time that Uganda's external debt position started deteriorating and arrears started accumulating. However, in 1984 this programme was abandoned in the midst of intense civil strife and after the World Bank cut off adjustment lending. But beginning May 1987, the national resistance movement

¹ Policy measures included devaluation of the shilling, removal of price controls, upward adjustment of producer prices for non-traditional export crops, curtailing subsidies to inefficient public enterprises, and raising interest rates.

(NRM) launched a second and more successful phase of economic reforms. Because the country had a narrow revenue base but needed a lot of economic rehabilitation in order to revive its productive capacity and improve the government's ability to manage the economy, it relied heavily on external assistance in order to implement the second phase of its economic reforms. This, over time, has led to a high level of indebtedness mainly to multilateral institutions.

Uganda's debt-to-export ratio between 1990 and 1993 was particularly high at over 1000 per cent, largely due to poor terms of trade and a fall in the coffee prices, the country's principal export (Table 1). The debt service-to-export ratio ranged between 55 and 75 per cent during the same period and the level of arrears (mainly to IMF and World Bank) was highest.

A major concern here is that if the government is overburdened with the servicing of debt, it may reduce expenditure on basic social services such as education and health, critical for enhancing human development. Table 2, for instance, indicates that external loan repayment accounted for about a third of Uganda's government recurrent expenditure in the early 1990s. This was generally much higher than amounts committed to health, education, community and social services and public order and safety. It was not until the introduction of the universal primary education (UPE) policy in 1996/7, for instance, that there was a marked increase in expenditure on education. In any case, the share of the health sector in recurrent expenditure remained at only about 5 per cent. A weak revenue base combined with internal security problems also meant that sectors like defence would receive a higher share of the recurrent budget than social sectors.

Uganda mainly borrowed from multilateral institutions, which accounted for more than 60 per cent of the debt by 1996. Most of the loans were directed at encouraging policy reforms and strengthening institutions. Loans, grants and conditionality were especially important during the period 1988-92 when the basis for the current reform programme was being formulated. Bilateral donors have in turn provided substantial co-financing to the adjustment operations.

Table 1
Debt indicators, 1980-97

	1980	1986	1989	1990	1991	1992	1993	1994	1995	1996	1997
External debt total/export of goods and services, %	208.8	313.8	716.1	1050.0	1374.8	1471.4	1251.7	980.2	523.1	491.8	429.7
External debt total/GNP, %	55.6	40.6	42.0	61.1	85.1	105.7	95.5	85.6	62.8	60.5	56.5
Total debt service/ export of goods and services, %	17.3	39.3	61.2	59.8	73.3	57.3	64.9	43.6	20.1	20.1	22.1
Multilateral/external debt service, % ⁽¹⁾	11.5	46.3	45.1	49.2	51.3	53.3	57	59.7	61.8	62.2	64.7
External debt total US\$ millions	689	1,286	2,177	2,583	2,777	2,928	3,029	3,372	3,573	3,674	3,708
O/w arrears, %	13.3	7.9	9.6	13.3	17.3	19.9	10.0	7.4	6.5	8.1	8.5
Total debt service	57	161	186	147	148	114	157	150	137	150	191

Note: ⁽¹⁾ Multilateral debt includes loans and credits from World Bank and IMF, regional development banks such as African Development, and other multilateral and inter-government agencies such as UNDP and European Economic Commission. However, loans from funds administered by an international organization on behalf of a single donor are excluded.

Source: World Bank (1998 and 1999).

Table 2
Government recurrent expenditures: Functional analysis 1991/2 to 1997/8
(percentage contributions)

Functional analysis	1991/2	1992/3	1993/4	1994/5	1995/6	1996/7	1997/8
Loan repayment (external)	31.1	30.2	27.7	18.7	16.6	16.4	16.5
Education services	15.5	11.9	10.3	11.0	19.0	23.6	21.7
Health affairs and services	4.5	4.1	4.0	3.9	5.6	5.4	4.9
Community and social services	1.3	1.2	1.7	1.2	1.2	1.2	0.9
Economic services	6.0	4.4	6.1	5.8	3.2	3.4	3.5
Public order and safety	5.9	4.5	6.4	8.7	8.9	8.9	7.5
Defence	18.7	15.1	17.2	20.1	20.3	19.5	15.4
General public administration	16.9	28.7	26.7	30.5	23.7	20.6	20.5
Other	0.1	0.0	0.0	0.0	1.4	1.1	9.0
Total	100	100	100	100	100	100	100

Source: Republic of Uganda (1999a).

During the 1980s and 1990s (prior to obtaining the HIPC debt relief), Uganda implemented several measures to reduce its burden. In the period 1981-87, it entered three times into negotiations with Paris Club creditors during which a total of US\$ 184 million was rescheduled. Uganda had access to the enhanced Toronto Terms in January 1989, under which about one-third of the eligible maturities was written off, while the maturity of the remaining debt was extended to 14 years with an eight-year grace period. But these terms only partially addressed the problem, since the entire remaining debt was not rescheduled during this meeting. However, a further write-off of half of the outstanding maturities was obtained during the June 1992 Paris Club agreement. In February 1995, Uganda received a 67 per cent stock debt reduction (netting-off, in net present value terms) from Paris Club creditors under the Naples Terms.

Uganda has, over the years, also benefited from a number of other write-offs/cancellations granted by Paris Club countries, with the result that the bulk of its concessional debt to the OECD countries has been written off. In February 1993, Uganda implemented a debt buy-back plan at a discount of 88 per cent for every dollar of eligible debt. Out of an eligible total debt of US\$ 188 million, 80 per cent was bought back, thus extinguishing most of Uganda's commercial debt.

However, though Uganda received additional debt relief (via the 1995 multilateral debt fund) from bilateral donors to help service multilateral debt, its debt burden was not substantially reduced, as it continued accumulating more debt in the 1990s. By the end of June 1996, Uganda remained heavily indebted with a stock of external debt of about US\$ 3.5 billion (or US\$ 1.7 billion in NPV terms).² Regarding sustainability targets,³ Uganda's net present value of debt (as at June 1996, after implementing rescheduling on Naples terms) was approximately US\$ 1.7 billion, of which more than 60 per cent was multilateral debt. Its ratio of debt-to-exports of goods and non-factor services at 233 per cent also meant that Uganda could not achieve a sustainable level of debt within a

² This figure varies slightly from one indicated in Table 1 due to differences in source.

³ The historically unsustainable ratio of present value of debt stock to exports is 200 per cent and above.

reasonable period. The high share of multilateral debt also meant negative implications for the repayment options available to the government.

Given its high debt burden, strong macroeconomic performance⁴ and commitment towards poverty reduction, Uganda became the first country to qualify for debt relief under both the initial and enhanced HIPC Initiatives. It reached its first completion point in April 1998 and its second completion point in May 2000. Uganda's estimated assistance under the initial HIPC Initiative is US\$ 347 million in net present value (NPV) terms (or US\$ 650 million in nominal terms) and it will be delivered over a period of 30 years (Table 3). Under the enhanced HIPC Initiative, Uganda will receive US\$ 656 million in NPV terms (or approximately US\$ 1,300 million in nominal terms) over a period of 20 years. The total amount of debt relief that Uganda has been granted is therefore US\$ 1,003 in NPV terms.

Together with other donor contributions, all resources released from debt service are currently being used by the government to increase expenditure in priority poverty reduction programmes, via the poverty action fund (PAF). Table 4 indicates expenditure on the priority poverty reduction programmes that have benefited from the HIPC debt relief.

Table 3
HIPC debt relief

	Agreed HIPC debt relief, NPV (US\$ million) ¹	Nominal debt service relief (US\$ million) ²	Decision point	Completion point
Original HIPC Initiative			April 1997	April 1998
Total	347	650		
Multilateral	274			
Bilateral	73			
Enhanced HIPC Initiative			February 2000	May 2000
Total	656	1,300		
Multilateral	546			
Bilateral	110			
Total HIPC debt relief	1,003	1,950		

Notes: (1) NPV debt relief discounts the debt back to the time of the completion point.

(2) Nominal debt service relief refers to the cumulative amount of relief over time.

Source: IMF/World Bank HIPC Initiative documents/Uganda.

⁴ On the macroeconomic front inflation was brought down from 234 per cent in 1986/7 to -3.4 in 1999; real GDP averaged an annual rate of 5.6 per cent over period 1987-99. The fiscal deficit (excluding grants) fell from 414 per cent of GDP in 1986/7 to less than 1 per cent of GDP in 1999. Steps were also taken to rehabilitate essential infrastructure and structural reforms were carried out in key sectors. Namely the trade and payments regime was liberalized; domestic prices were liberalized and the monopoly of marketing boards was abolished. The exchange rate was fully market determined in 1993, and implementation of financial sector reforms had already started. The civil service was reformed; privatization or reforming state-enterprises had begun. Tax reforms were also implemented with the aim of broadening, rationalizing and simplifying the tax regime, improving tax administration and streamlining expenditure management. During this period Uganda also normalized relations with most external creditors.

Table 4
Poverty eradication action plan expenditures

	1997/8	1998/9	1999/00	2000/01
	(billion shillings)			
Total expenditure (excluding arrears)	141.38	231.84	302.69	439.774
Poverty action fund (PAF)		97.84	193.98	298.8
HIPC debt relief		44.64	65.55	159.16
Measures to increase incomes:				
Rural roads	8.42	20.18	24.58	28.67
Implementation of the Land Act			2.7	3
Agricultural extension	0.54	0.21	4.49	4.12
Microfinance/restocking programmes	0.47	0.49	7.29	11.64
Measures to improve the quality of life:				
Primary health care	4.16	20.24	21.42	57.17
Water and sanitation	3.86	12.34	17.57	35.33
Primary education	120.23	169.83	211.57	254.66
Other ⁽¹⁾	0	0.87	0.5	2.8
Other districts grants ⁽²⁾			2	24.71
Monitoring and accountability	3.7	7.68	10.57	17.674

	1997/8	1998/9	1999/00	2000/01
	(percentage)			
Total expenditure (excluding arrears)	100	100	100	100
Poverty action fund (PAF)		42.2	64.1	67.9
HIPC debt relief		19.3	21.7	36.2
Measures to increase incomes:				
Rural roads	6.0	8.7	8.1	6.5
Implementation of the Land Act	0	0	0.9	0.7
Agricultural extension	0.4	0.1	1.5	0.9
Microfinance/restocking programmes	0.3	0.2	2.4	2.6
Measures to improve the quality of life:				
Primary health care	2.9	8.7	7.1	13.0
Water and sanitation	2.7	5.3	5.8	8.0
Primary education	85.0	73.3	69.9	57.9
Other ⁽¹⁾	0	0.4	0.2	0.6
Other districts grants ⁽²⁾	0	0	0.7	5.6
Monitoring and accountability	2.6	3.3	3.5	4.0

Notes: ⁽¹⁾ Includes adult literacy programmes, environment and studies/pilot financing for implementation of under-funded areas of the PEAP.

⁽²⁾ Includes equalization grants, district development grants, and local government development programme.

Source: Republic of Uganda (1999b, 2000c, 2001a, and 2001b).

3 Social sector reforms

Social sector reforms in the late 1990s were implemented as part of the poverty eradication action plan (PEAP), which was formulated in June 1997.⁵ The objective of the PEAP is to reduce the level of poverty in Uganda to 10 per cent or less in the coming two decades, by ensuring that the poor participate in and benefit from economic growth more effectively. In order to achieve this objective, the government of Uganda has implemented policies aimed at:

- Improving the quality of the life of the poor by improving access to basic social services including primary education, primary health care, and safe water and sanitation;
- Increasing incomes of the poor through access to productive assets and information on their effective use; modernization of the agriculture sector to improve security and productivity; providing an adequate road network; improving rural market infrastructure and financial services; improving telecommunications, and rural electrification;
- Promoting governance through measures that improve security, increase transparency and accountability, decentralization, enhanced flow of information, and democracy.

In the context of the HIPC Initiative, the PEAP is being supported by the budgetary funds released from debt service for expenditure on priority poverty reduction programmes. These include universal primary education (UPE), primary health care (PHC), water and sanitation, agricultural modernization, particularly through extension and research, and rural feeder roads. In line with the social sector performance targets, a number of social reforms were implemented as part of the PEAP and are expected to produce results and improved outcomes over the medium term. The progress on social sector reforms is discussed below. It should, however, be noted that what is discussed here mainly touches on the selected antipoverty programmes that are being funded in part by assistance received under the HIPC Initiative and incremental assistance from donors (which together constitute the PAF). There are, however, also other ongoing programmes within the social sectors, which might not necessarily be mentioned here.

3.1 Improving the quality of life of the poor

3.1.1 Reforms in the education sector

Government's policy on education in the 1990s focused on increasing access to primary education, and opportunities for the poor and the disadvantaged groups as well as improving the quality of education. The structural changes for the education sector are spelt out in the White Paper on education (1992) which is based on the 1989 report of the education policy review commission.

⁵ The PEAP was formulated as result of a broad consultative process involving government officials, civil society, and donor representatives. In addition, the voices of the poor have been incorporated into the PEAP through direct consultations with them on their needs, priorities and perceptions about the quality of services and government policies, via the 1999 Uganda Poverty Participatory Assessment Project (UPPAP).

Since the fiscal year 1991/2, public expenditure on education has shifted towards the primary, relative to secondary and tertiary institutions with cost sharing at tertiary institutions. Within the sector, measures have also been undertaken to contain costs, including the reduction of subsidies, greater utilization of school facilities and reallocation of public funds to priority areas. In the initial phase of reforms, cost recovery schemes were put in place to diversify sources of education finance and encourage community participation. Cost recovery schemes, however, raised a number of issues. Schools with better-off parents were able to attract better teachers and more facilities, and hence produced the bulk of students who proceeded to meaningful higher institutions. The cost of education is also said to have gone up during the initial phase of the structural adjustment period. This led to the late reporting of children to school or dropping out altogether. The increasing cost of education, however, affected girls more as they were often called upon to supply labour in domestic and economic activities to raise the needed fees.

The civil service reform programme (started in 1992) resulted in a reduction of untrained, and 'ghost' teachers and a temporary halt on the recruitment of teachers. In 1994/5, after a headcount undertaken in the previous year, an elaborate system of staff establishment controls at primary schools was put in place throughout the country. This was intended to closely link the establishment with the payroll.

With more resources available from the HIPC debt relief initiative, the share going to education increased to 19 per cent of the domestic budget in 1998/9, from 12 per cent in 1995/6 (Table 5). Primary education (which now receives approximately 70 per cent of the education budget) has greatly benefited from the savings arising from the debt relief initiative and other bilateral support channelled through the PAF.

In January 1997, the government launched the universal primary education (UPE) programme (under IDA support). The UPE policy aims at providing free education to four children per family (plus orphans and disabled children), and emphasizes gender equity in education. An education sector investment plan was released in 1998. It is founded upon the 1992 Government White Paper on the education policy review commission report, and presents targets and implementation strategies, and outlines investment programmes intended to promote the education sector including the provision of capitation grants, teachers' training, textbook provision, and the construction of classrooms.

Decentralization

All primary education services are now controlled by districts, including deploying and paying teachers and classroom construction, though they remain centrally financed. Double shifts in lower primary and multigrade teaching are being introduced in schools in order to alleviate the existing classroom and teacher shortages. Support to schools and teachers is provided by a cascading system, linking teacher training colleges to district coordinating centres and then to schools, and schools select textbooks from a nationally approved list.

Revision of the curriculum

The curriculum has been modernized for core subjects such as mathematics, English language, social science, and natural science. Books and materials have been developed. Under volume II of the curriculum, new subjects will also be taught in primary schools

beginning in January 2002—agriculture, integrated production skills, cultural studies and physical education, Swahili, local languages and religious education. Questions have been raised, however, as to whether there are appropriate capacity, textbooks or the necessary infrastructure for the efficient implementation of this curriculum.

School performance awards

These are due to be introduced at the sub-county level for all schools, as an incentive for enhanced performance, transparency and accountability. In awarding prizes, attention will be paid to accounting, record keeping, and promotion of girls' and disabled children's education.

It is also recognized there will be increasing demand for post-primary education as increasing numbers of pupils move through primary school. In light of this, a plan for the expansion of post-primary education is being developed and will incorporate a strategic plan for both secondary education and technical, vocational education and training sub-sectors. However, given the resource constraint and the number of stakeholders, the government is developing an expansion strategy involving partnership with communities, NGOs, parents and the private sector. Initial activities for implementing the secondary education strategic plan have included the identification of regional sites for pilot secondary schools, provision of capital development grants to 73 schools, establishment of functional teacher training resource centres in several districts, procurement of instruction materials and rehabilitation of science laboratories.

A policy on technical and vocational training has been developed and funding obtained from the German government to support vocational training. The training of adult literacy instructors has begun and a strategy for functional adult literacy (FAL) is underway to guide allocation and utilization of FAL funds.

Table 5
Education indicators, 1995-99

Indicators	1993-95	1999
Public expenditure on education as % of government expenditure, 1993-95	15	18.7
Net enrolment rate in primary schools, 1994/5	55	94
Ratio of girls to total pupils enrolled in primary schools, 1994/5, %	45	47.4
Primary school completion rate, 1994/5, %	30	45
Adult literacy aged 15 and over, 1995, %	61.8	66.1

Source: IMF/IDA (2000a); Ministry of Education (2001); UNDP (1998 and 2001).

Implementation of reforms in the education sector has led to a number of developments:

- The UPE policy led to a substantial increase in primary school enrolment, from 2.7 million pupils in 1996 to 6.6 million pupils in 1999 (Table 6), of whom 47 per cent were female. Drop-out rates, however, remain high due to lack of facilities such as uniforms, or the poor health of children. Insecurity, particularly in the northern part of the country, also disrupted operations or led to the closure of schools.

Table 6
Education statistics, 1989-99

	Primary level				Secondary level			
	Enrolment (millions)	No. of teachers	Pupil-to-teacher ratio	No. of schools	Enrolment (millions)	No. of teachers	Pupil-to-teacher ratio	No. of schools
1989	2.5	81,418	31:1	7,684	0.24	12,919	18:5	508
1990	2.3	81,590	28:0	7,667	0.22	11,069	20:2	510
1991	2.5	78,259	32:5	8,046	0.24	13,476	17:5	512
1992	2.4	86,821	27:2	8,325	0.23	14,660	15:5	509
1993	2.5	91,905	26:8	8,430	0.23	14,620	15:8	508
1994	2.6	84,043	30:9	8,442	0.25	16,245	15:2	557
1995	2.6	76,111	34:6	8,531	0.26	14,447	17:7	619
1996	2.7	44,401	61:7	8,550	0.29	18,500	15:6	619
1997	5.3	103,331	51:3	10,490	0.34	16,696	20:1	621
1998	5.8	97,365	59:6	11,211	0.25	16,200	15:7	621
1999	6.6	109,733	60:1	10,597	0.43	22,599	18:9	1,633

Source: Republic of Uganda, Statistical Abstract (1999a); Uganda Bureau of Statistics (2000).

- Over the period 1990 to 1999, total number of schools increased to 10,597 versus 7,667 recorded in 1990. Out of the 10,597 schools, 9,050 or 85 per cent are government aided. Further, there are 1,623 secondary schools, 39 per cent of which are government aided.
- The number of primary school classrooms increased by 78 per cent from 45,000 in 1990 to 80,205 by 1999. Nevertheless, pupil-to-classroom ratios of several schools remained high, i.e. over 100:1 in lower primary and 80:1 in upper primary classes in the year 2000. Implementation of classroom construction has been delayed mainly due to inadequate supervision and monitoring by stakeholders, i.e. district authorities, school management committees, teachers and parents (Ministry of Education and Sports 2001). The costs of construction in areas that are difficult to access have also turned out higher than planned, due high costs of transporting construction materials. Moreover, it was recognized that some districts had considerably greater capacity for planning and implementing the classroom construction programme. To address the problem of unequal distribution of resources across social sectors, equalization grants have been introduced.
- Efforts have been made to provide instructional materials, at least to reach a textbook-to-pupil ratio of 1:3 for all core subjects. However, additional subjects required by the new curriculum will require additional finance. Lack of furniture is also an area of critical concern under the UPE programme.
- Under the teacher development and management system, 10,145 teachers have received in-service training and there are plans for more teachers to receive pre- and in-service training. There has also been training of primary school teachers in handling children with disabilities. Further, steps have been taken to improve teachers' terms and conditions of service, including a provision for extra pay to teachers working in areas difficult to access. The number of teachers is, however, still insufficient, given the drastic increase in student enrolments. The

pupil-to-teacher ratio stood at 60:1 in 1999 (Table 6) and is estimated at 65:1 for 2000 (Ministry of Education and Sports 2001). Moreover, the recruitment of teachers is constrained by lack of capacity at the district level. There are also reported cases of declining teacher morale because of delays in receiving salaries. However, it is hoped that the problems related to development and management of primary school teacher will be addressed under the new teacher development management plan.⁶

Summary of conclusions and recommendations in the education sector

To date, the government maintains its commitment towards the education sector via existing policy options articulated in the White Paper on education policy. There are indications of improvement in literacy rates estimated at 0.8 per cent annually over the 1990s. Though this rate is low in relation to the need to meet the country's aspirations, it is anticipated that the UPE programme will yield further positive results. Nevertheless, implementation of UPE programme still faces constraints that need to be addressed for its full success:

- The current high pupil-teacher ratios, classroom overcrowding, and insufficient school facilities indicate that the quality of education has not improved significantly and is likely to deteriorate;
- The UPE programme is constrained by the general poverty situation that leads to some children not attending school due to lack of facilities or poor health, as well as insecurity in the northern part of the country;
- Implementation of UPE programmes seems to be constrained by inadequate capacities at the district and community levels. As shown above, this has slowed progress in the construction of classrooms and recruitment of teachers;
- There are critical issues that need to be addressed in relation to the anticipated increase in demand for post-primary education, including construction of more secondary schools.
- Lastly, sponsorship under the current UPE policy, due to inadequate government resources, is limited to only four children per family. But there are households with more children beyond the specified four who are thus excluded from having access to education because of lack of family resources.

Resolving these problems necessitates building more classrooms, providing more instructional materials, and increasing the number of qualified teachers. A lot also remains to be done to build capacity at the district and community levels and teachers' confidence and motivation, as UPE is consolidated. However, while the government has clearly expressed its recognition and commitment to meeting these requirements, implementation of programmes to solve them is likely to require additional resources to those currently being projected from domestic and donor sources.

⁶ The teacher development and management system will focus on increasing efficiency in training, recruitment, and deployment of teachers.

3.1.2 Reforms in the health sector

Since 1986 the government of Uganda has made considerable effort to restore the health sector through the implementation of structural adjustment programmes. As part of the government's effort to restructure the health sector, a White Paper on health policy was adopted. The paper reviews the situation of the health sector by laying down health policies and strategies to be implemented. The reforms in the health sector have focused on the following areas:

- Health education: maternal and child health and family planning; immunization; water and sanitation including environmental health; food and nutrition; control of malaria and other communicable disease, and prevention and control of HIV/AIDS;
- Introduction of health unit maintenance and user fees. The main goals of this measure were among others to mobilize additional resources, promote efficiency, foster equity, increase decentralization and sustainability, and encourage the private sector in providing health services. User fees would support the purchase of drugs and other supplies, and in some areas supplement staff salaries or undertake preventive activities. However, evaluations of cost sharing in the health sector, suggest that it has had a negative impact on the utilization of health services especially those at government-run hospitals/health units. Uganda's Women's Network (UWONET 1995), for instance, reports that upon the introduction of user fees in Arua district, there was a decline in the number of outpatients and antenatal attendance
- Promotion and facilitation of the NGOs, the private sector and communities to play their role in the delivery of health services effectively. During the late 1990s more support was provided to the NGO hospitals and health units. As a result, more NGO outreach facilities have been extended and user fees in NGO hospitals were reduced. This is expected to reverse the declining service utilization rates by women and children observed in recent years.
- Establishment of national medical stores to complement the roles of the private sector in the drug market. This has reformed the supply system of drugs to government health institutions.
- A tracking study (EPRC 1996) on public expenditure commissioned by the World Bank, however, established that while the government allocated more resources toward the social sectors, amounts actually received by schools and health centres were less, and there were significant drug losses from health units due to no follow-up on their utilization and need. Following the findings of this study, a more transparent process of the transfer of public funds from the centre to service facilities was instituted. The health sector, along with other social sectors, has been undergoing decentralization of its functions and responsibilities. However, this responsibility was constrained by lack of capacity at the local government level.
- Health care in the late 1990s is coordinated by the new health strategic plan. Priority is given to the provision of a minimum health care package (targeted to major causes of ill health) to increase access, quality and equity. Health services have been reoriented to primary health care (PHC) by transforming the health system from curative orientation to preventive, and more attention is given to public health

programmes, health education and information. Community capacity-building has been used as a strategy to promote the implementation of PHC.

- Measures have also been taken to improve service delivery. These include redeploying staff from the centre to the districts and redeploying staff between and within districts to achieve a fairer distribution of qualified staff; better remuneration, training and recruitment of staff; support to districts in the form of planning, financial management, monitoring and service delivery, and rehabilitation and establishment of hospitals and health units. The number of health units, facilities and qualified personnel is, however, still insufficient to have a significant improvement on the quality of services.⁷ The paucity of health facilities is compounded by their uneven geographical distribution, with western and northern districts having less facilities. Lack of facilities in rural areas also limits access to health services.

Additional concerns include insufficient drugs in government health facilities, and the high cost of drugs from private facilities, slow and poor services. Accountability also remains a problem, particularly for revenue from user fees and drugs. The UPPAP report (2000) also confirms a widespread lack of knowledge on family planning and how to access services.

Performance of the health sector

Between 1995 and 1999, public expenditure on health as a percentage of GDP increased from 1.6 to 4.6. This made it possible to reduce the population without access to health services from 51 per cent in 1995 to 30 per cent in 1999 (Table 7). A number of developments were observed in different areas as discussed below.

Table 7
Health and other social indicators, 1995-99

	1990-96 ⁽¹⁾	1999
Public expenditure on health as % of GDP (1995)	1.6	4.6
Infant mortality rate per 1,000 live births (1996)	88	83
Under-five mortality rate per 1,000 live births (1996)	141	131
% of one-year olds fully immunized against tuberculosis (1995/6)	96	83
% of one-year olds fully immunized against measles (1995/6)	66	53
Maternal mortality ratio per 100,000 live births (1990)	1,200	510
Total fertility rate per woman (1995–2000)	7.1	7.1
Life expectancy at birth in years (1995)	40.5	43.2
% of people without access to:		
Safe water (1996)	54	50
Health services (1995)	51	30
Sanitation (1996)	43	25
Real GNP per capita in US\$ (1995)	240	320
Real GDP per capita rank minus HDI rank (1995)	-23	-4
Urban population as % of total (1995)	13	13.8

Note: Specific year given in brackets.

Source: UNDP (1998, 1999 and 2001); IMF/IDA (2000a); Uganda Bureau of Statistics (2000).

⁷ As of 2000, population per health unit and per bed stood at 13,099 and 837, respectively (Uganda Bureau of Statistics 2001).

Infant and maternal health

Infant mortality and under-five mortality decreased from 88 and 141 per 1000 live births in 1996 to 83 and 131 respectively in 1999 (Table 7). This improvement reflects, among others, the efforts put in place since 1986 to restore the health infrastructure and in particular improvements in the vaccination coverage and in household welfare achieved from a growth of the economy (Hutchinson 1999). However, immunization coverage for one-year olds against tuberculosis and measles declined from 96 and 66 per cent 1995/6 to 83 and 53 per cent, respectively in 1999 (Table 7), which could have negative implications for children's health. This trend is also reflected in countrywide vaccination coverage (Table 8). Insufficient staff, breakdown of equipment and the slackening of outreach services are the major explanations.

Fertility in Uganda remains high (approximately seven per woman) even in comparison to other developing countries, which average three children. Maternal mortality, although lower than in the early 1990s, remains high despite improvements in antenatal attendance and contraceptive use. Reasons for the high mortality rate include short birth intervals, poor maternal nutrition and lack of trained assistance at birth.

Table 8
Countrywide immunization rates against major diseases (%)

Disease	Year	1996	1997	1998	1999
Tuberculosis		102	88	76	76
Measles		70	64	53	52
Polio		71	62	52	51
DPT3 ⁽¹⁾		72	62	51	50

Note: ⁽¹⁾ DPT3 is a vaccine against three diseases: diphtheria, whooping cough and tetanus.

Source: Uganda Bureau of Statistics (2000).

Water and sanitation

Since 1997/8, resource allocation to the water and sanitation sector has increased from about Shs 4 billion (or 3 per cent of PAF funds) to Shs 35 billion (or 8 per cent of the PAF) in 2000/01. A number of public interventions were implemented to support water and sanitation, with communities contributing towards the costs of provision and maintenance of the facilities. Boreholes have been fitted and rehabilitated; springs and wells have been protected, and rainwater tanks, gravity flow schemes, and pit latrines have been constructed. Water reservoirs have also been constructed in key drought-prone districts.

Maintenance, however, remains a problem, leading to non-operating facilities. To improve this situation, district water and sanitation teams have been established. Improvements in efficiency are also critical to the success of the interventions in the sector. Performance indicators of the National Water Supply and Sewerage Corporation (NWSC), which services the major towns, were found to be poor and tariffs high. To improve the situation, the government signed a performance contract with NWSC in 2000/01, and there is a proposal to involve private sector participation in NWSC's current operations.

The interventions have led to increased coverage of the population having access to safe water from 46 per cent in 1996 to 50 per cent in 1999 (Table 7), and during the same period, those using unsafe sanitation facilities fell from 43 per cent in 1996 to 25 per cent. Despite this progress, the current sector coverage of safe water and sanitation is still low. One of the government's targets is to provide the rural population with a hundred per cent coverage for safe water by 2015. This requires a minimum investment of US\$ 50 million a year (or Shs 75 billion) in the provision of facilities. Current total spending (including both donor and government funding) is US\$ 35 million, leaving a shortfall of US\$ 15 million a year (or Shs 23 billion). Unless there is a substantial increase in donor, government or private investment, the target cannot be met.

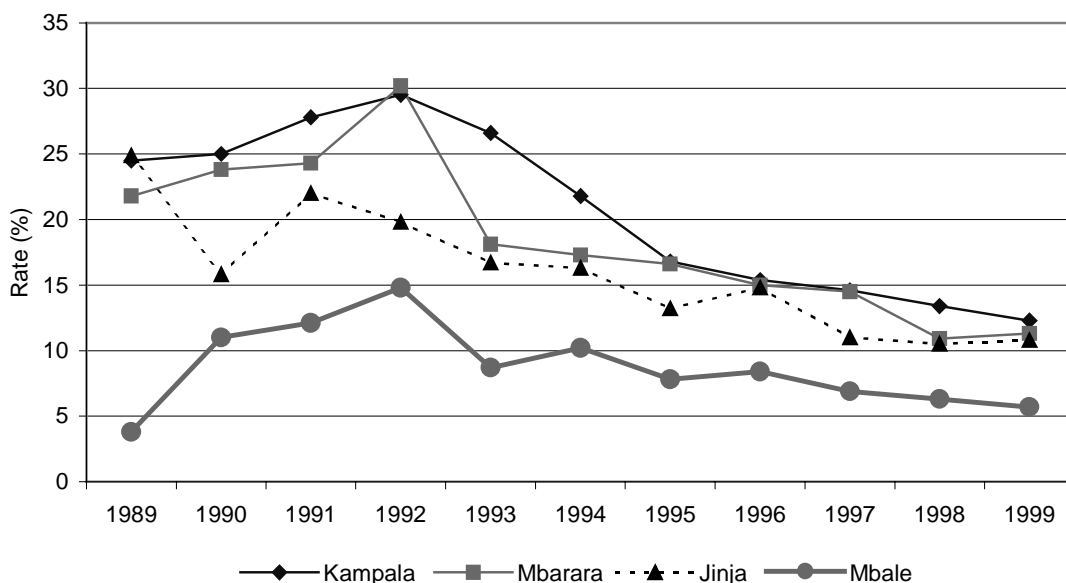
Human immuno-deficiency virus (HIV)

Since its appearance in the early 1980s, AIDS in Uganda has been a very serious threat to health, claiming about 1.8 million lives, almost 8 per cent of the country's population in 1999. However, commitment and support by the government, donors and NGOs have been coordinated to fight AIDS, and have had a major impact on its progression.

Major interventions have focused on awareness and behaviour change, including social mobilization of the political and administrative system; mass campaigning at the grassroots; establishment of health education network in all districts of Uganda; peer education in post-primary and tertiary institutions; training module development on the behaviour change process and condom promotion.

Analysis of the HIV/AIDS situation is difficult due to an underreporting of infections. Most individuals are never tested and many never come in contact with the health system (Hutchinson 1999). Accuracy and completeness of reporting by the various health units also affect the outcome. It is, however, estimated that in 1999 up to 2 million of the country's 23 million people were infected with HIV. Nevertheless, the infection rate is reported to be declining overall. For example, while the antenatal prevalence rate of the infection in Kampala rose from 24.5 per cent in 1989 to 27 per cent in 1993, it had decreased to 12 per cent by 1999.

Figure 1
HIV infection rate in women attending antenatal clinics, 1989-99



Source: Ministry of Health (2001).

A similar trend is also shown by data from other major urban areas (Figure 1). The large decrease in HIV infection rates is believed to result from high levels of awareness, increased knowledge of protection from transmission, and behaviour change (Ministry of Health 2001).

In spite of the observed dent in the HIV/AIDS epidemic, it is worthwhile noting that infection rates are still unacceptably high and present a serious challenge to the health care system in Uganda. HIV/AIDS constrains the economic growth of the country not only because it severely affects human capital, but also because it calls for the reallocation of scarce resources to provide for the sick or meet funeral expenses. This reduces resources for other household priorities, including school fees for children, farm or other business inputs, and other medical expenses. It is also likely to increase the dependency ratio and make the task of poverty eradication difficult. This points to the need for continued efforts to sustain and improve the existing AIDS prevention and control initiatives.

Malaria

Though AIDS has had a tremendous impact in Uganda, malaria currently poses the most significant threat to the health and poverty of the population. It accounts for 25-40 per cent of all outpatient visits at health clinics, 20 per cent of health admissions and 9-14 per cent of inpatient deaths (Ministry of Health 2001). Malaria is the major cause of morbidity among pregnant women, and accounts for an average of 90,000 child deaths annually. It has a negative impact on economic development, through direct costs on prevention, treatment, funerals and lowering output and incomes through loss of labour time due to illness or caring for the sick. It is estimated that malaria will reduce economic growth by 30 per cent over a fifteen-year period (Ministry of Health 2001). Controlling malaria, therefore, is one way of improving human development and poverty in Uganda. There are efforts to deal with this epidemic through Uganda's malaria control and prevention programme. Interventions include improving case management in health units/centres and at home, vector control, intermittent presumptive treatment of pregnant women and improving epidemic preparedness and response.

Summary of health sector findings and recommendations

Though reforms in the health sector have to-date yielded some improvements in health indicators, the number of constraints identified above must be addressed by the government in order for the health sector to play its full role in the economic development of the country. These include:

- Government's efforts to increase resources available to the health sector through the introduction of user charges have not achieved the desired goals, mainly because of widespread poverty;
- Access to information remains a problem, particularly on family planning methods, which could explain the persistent high fertility rates;
- Availability of qualified health personnel at primary health care centres/units and other facilities remains a problem, particularly in the rural areas;

- In general decentralization has done little to improve accountability of resource use, in particular revenue from user fees and drugs, and also quality services at the health units; and
- Implementation of programmes and maintenance of facilities are faced by lack of capacity, particularly at the district and community level. Continued efforts are, therefore, needed to build capacity to improve service delivery to the poor and ensure that increased transparency leads to more effective use of resources.

Additional funding is, however, required in the medium term to meet these objectives. As highlighted above, there are already indications that unless more resources are made available either from the government, donor or the private sector, the hundred per cent target for supplying safe water to the population by 2015 is unlikely to be met.

3.2 Increasing the incomes of the poor

Since the late 1990s a number of interventions have been implemented with the objective of enhancing the ability of the poor to increase their incomes through the plan for modernization of agriculture (PMA),⁸ improvements in the road and market infrastructure, access to microfinance and provision of electricity.

3.2.1 Rural development

Agriculture is by far the largest sector of the economy⁹ and the source of income for about 65 per cent of the population, who mainly rely on small-scale farming. It is further noted, that while agriculture is the key occupational activity for both the poor and non-poor Ugandans, the proportion of the population engaged in agriculture is much higher among the poor than the non-poor.¹⁰ The labour force in agriculture is dominated by women, who also constitute the majority of the poor, have low levels of education and meagre assets. This gives the plan for the modernization of agriculture (PMA) a central role in poverty eradication. However, though government expenditure on the agriculture sector increased during the late 1990s, priority under PAF was given to the improvement of agricultural extension services. A number of measures have been taken in the late 1990s to modernize the agricultural sector and are expected to produce positive results in the medium term. These include:

- 1) Policy development and enforcement of regulations for the agricultural sector: A policy analysis unit has been established and policies in several areas (including animal breeding, food and nutrition, veterinary services delivery, soil and fisheries policies) have been reviewed, analysed and developed.
- 2) Improvement of advisory services: This has been done through the recruitment and facilitation of trained extension staff in districts. Expenditure on agricultural extension services from the PAF rose from Shs 0.5 billion in 1997/8 to Shs 4 billion in 2000/01. There is a plan to decentralize extension services via the national agriculture advisory service (NAADS) programme, whose aim is to improve

⁸ The PMA aims at enabling subsistence farmers to improve their natural resources base and livelihood.

⁹ Agriculture's contribution to GDP in 1999 was 44 per cent.

¹⁰ See Republic of Uganda (2000b: 9).

effectiveness and efficiency in their delivery to farmers through increasing private sector involvement. NAADS's interventions give priority to increased farmer access to information, knowledge and technology, poverty targeting and gender mainstreaming. This implies that farmers/producers will be adequately empowered to be able to secure advisory services appropriate to their needs. While implementation responsibility will be put at sub-counties, NAADS management will be embedded with the local government, and the private-sector service providers will be contracted to provide extension services using public funds.

- 3) Support to agricultural research: This has mainly been done through funding the National Agricultural Research Organization (NARO), for example, via World Bank agricultural research and training programme (ARTP II). NARO's research activities have given support to the agricultural sector in a number of ways; it has identified and released several varieties of crops, improved animal species, and disseminated several technologies through manuals, workshops and field days for farmers, NGOs and extension staff.
- 4) Capacity-building for production and planting and stocking materials: This measure is meant to enable farmers gain access to and use high planting and stocking materials for crops, livestock, sericulture and fisheries. Activities undertaken include:
 - operationalization of seed stockists throughout the country;
 - inspection and more registration of plant input dealers;
 - release of high yield seed varieties. The availability and affordability of seed varieties, however, remain constrained by limitations of the Uganda seed project, ineffectiveness of the existing extension service delivery system and a weak private sector base;
 - distribution of a variety of improved livestock;
 - training of staff, farmers and other stakeholders on farm productivity, soil fertility and management, vaccinations and livestock disease prevention;
 - training of farmers in water harvesting, and soil and water conservation. This measure is intended to ensure steady supply of water for agricultural production and includes construction of water valley dams/tanks to cater for provision of water for livestock, and provision of irrigation pumps to farmers;
 - improved access to information through leaflets, production manuals and the media; and
 - development of low-cost solar dryers/heaters for general pest management.
- 5) Other measures include capacity-building at the local government level including:
 - training of local governments in budget framework preparations, regulations pertaining to seeds, and agricultural chemicals;

- inspection support, supervision, monitoring, and evaluation of agricultural activities of local governments by the Ministry of Agriculture; and
- control of water hyacinth particularly around Lake Victoria, and construction of fish landing sites.

3.2.2 The Land Act

The Land Act is being revised to strengthen land rights of the poor, particularly women. The Land Act implementation study by the Ministry of Water, Lands and Environment will make recommendations to cabinet on the prioritization of the implementation of the Land Act.

3.2.3 Microfinance

The important role of microfinance in the financial development and growth of micro and small enterprises, as well as poverty alleviation has been emphasized. Since 1994, Uganda has witnessed rapid advances in the development and implementation of micro finance programmes that provide both savings and credit services to the micro and small enterprises. A policy framework for development of micro and rural financing was approved in June 2000, and a draft bill for the Microfinance Act 2000 is pending approval. Studies are also being undertaken to support the microfinancing institutions in building capacity to provide financial services. The microfinance sector now comprises of a few banks, a relatively large number of NGOs and community-based organizations, and serves a large number of clients countrywide.

3.2.4 Road infrastructure

An efficient road network facilitates the inflow of essential farm and non-farm inputs and access to markets, and would accelerate the process of monetization of the rural economy. Improvement of feeder roads is, therefore, accorded high priority in the poverty reduction strategy. Funding from the PAF for rural road maintenance, monitoring and inspection has more than tripled between 1997/8 and 2000/1. A White Paper on the strategy for the improvement and management of feeder roads was prepared during 2001. Various districts' feeder roads have been rehabilitated under various projects while more work is in progress. Progress to road sector development in general is, however, being slowed by lack of qualified staff. Moreover, more needs to be done in terms of directly promoting access to markets for the poor, for instance, through the use of bicycles and ox-carts.

3.2.5 Rural electrification

Efforts are being made to increase access to electricity, particularly in the rural areas in order to increase employment opportunities and farmers' market access by agro-processing.

3.3 Governance and security

Good governance and security are necessary for creating an environment for economic growth. As already mentioned, insecurity has been a major constraint to the access to social services, particularly in the northern region and has disrupted economic activity in the affected areas. Insecurity is therefore a cause of poverty and remains one of the most serious constraints to its eradication. There are ongoing attempts to establish peace

by resolving the conflicts between Uganda, Congo, Sudan and Burundi. Human rights are monitored by the Human Rights Commission.

Democratization is also important for poverty reduction both because democratic governments take better decisions and disempowerment is itself an aspect of poverty. The democratization of Uganda has been pursued in the context of decentralization, the process that transfers responsibilities to the district level. An affirmative action programme has also been implemented to promote gender equity in decision-making. In particular, the share of women in key decision-making positions rose to 39 per cent in 1999 from an estimated 6 per cent in 1988. This is said to have led to some benefits, including improvements in intra-resource allocation within local government budgets towards poverty reduction. Female decision-makers have tended to lobby more than men for community development services, in particular the expansion of health and education facilities.

A number of reforms have been implemented to improve transparency, and accountability and monitoring systems. The government of Uganda currently accounts for the poverty action fund separately from the main budgetary expenditure. Monitoring and evaluation of funds are being promoted through poverty status reports. The poverty monitoring network comprises representatives of Ministry of Finance, Planning and Economic Development, line ministries, auditor general, UBOS, UPPAP, academic institutions, donors and civil society representatives. However, there is need for the research of the various institutions to be coordinated and widely disseminated to ensure that the data are widely used.

The release of funds from the PAF to districts is now conditional on the production of satisfactory quarterly reports. At the central level, transparency and accountability are being enhanced by a commitment control system established in 1999. At primary school levels parent teacher associations and school committees promote accountability. However, the findings of a study to track the flow of UPE funds that was concluded during 1999-2000 revealed that there were still considerable accountability problems at the school level.

Efforts are also being made to improve access to public information through the media, the use of notice boards in public places, and publications by the Ministry of Finance, Planning and Economic Development, for example, the annual budget performance reports. Nevertheless, Uganda's communication services remain underdeveloped with about 50 per cent and less than 2 per cent of the population having access to radio and television, respectively.

Effectiveness of law and order is being promoted through the establishment of a sector-wide approach development fund with which reforms proposed for the criminal justice sector will be implemented. Existing problems include inadequate courts, particularly in rural areas, and delays in the administration of justice and investigations, which lead to congestion and poor health conditions in prisons. In addition, women have less access to judicial services than men (Republic of Uganda 2001).

3.4 General poverty situation

The proportion of Ugandans living below the national poverty line dropped from 44 per cent in 1997 to 35 per cent in 2000 (Table 9). This improvement has largely been attributed to strong economic growth, particularly in the cash crop sector.¹¹ Despite this progress, poverty remains a dominant characteristic of the Uganda economy. Though Uganda's social indicators have generally improved during the reform period, the country's per capita GNP is only US\$ 320, while life expectancy is only 43 years compared to 65 for all developing countries, and as of 1999 about half of the population does not yet have access to safe water (Table 7). Its real GDP distribution also ranks lower than the human development index in 1999, a clear indication that Uganda has not effectively translated its economic growth into better lives for its people.

Moreover, there remain disparities in the incidence of poverty between urban and rural areas and among regions. As Table 9 indicates, poverty remains a rural phenomenon—in 2000, 39 per cent of the population in rural areas lives below the poverty line, while only 10 per cent of the urban population can be regarded as poor. Poverty also seems to be more concentrated in the northern region than elsewhere—those living below the poverty line actually rose in the north to 65 per cent in 2000 from 59 per cent in 1997, while all other regions registered improvements in welfare. This situation is largely explained by the insecurity of the area, which has constrained social service delivery and physical infrastructure development, access to markets, and led to the loss of productive assets of the poor, thus having an adverse effect on economic activities particularly in the rural areas. Large populations in the affected districts also remain internally displaced, living in camps that lack necessary infrastructure and facilities, facing food shortages. Possible restoration of peace and security is likely to have a significant effect on growth and hence poverty reduction.

Table 9
Percentage of population living below the national poverty line

	1992/3	1993/4	1994/5	1995/6	1996/7	1999/2000
Total	55.5	52.2	50.1	48.5	44.0	35.0
Rural	59.4	56.7	54.0	53.0	48.2	39.0
Urban	28.2	20.6	22.3	19.5	16.3	10.0
Districts						
Northern	71.3	69.2	63.5	68.0	58.8	65.0
Eastern	59.2	58.0	64.9	57.5	54.3	37.0
Western	52.8	56.0	50.4	46.7	42.0	28.0
Central	45.5	35.6	30.5	30.1	27.7	20.0

Note: Poverty is measured using an absolute poverty line, which reflects the cost of meeting a minimum of food and non-food requirements. Estimates for the poverty line were based on six household surveys; the integrated household survey, 1992/3, four subsequent monitoring surveys (1993/4, 1994/5, 1995/6, and 1997/8) and the 1999/2000 Uganda national household survey. The poverty national poverty line was calculated at an equivalent of Shs 16,440 (about US\$ 14) per adult per month in 1993 prices. However, this measure excludes other important dimensions of poverty such as risk, vulnerability and insecurity. These aspects of poverty are currently included in government's definition of poverty, subsequent to direct consultations with the poor.

Source: Uganda Bureau of Statistics (2000); Republic of Uganda (2000c and 2001a).

¹¹ However, these developments do not take into consideration the effects of the recent interventions implemented to increase incomes of the poor, for example via the PMA.

It is further believed that women might not have benefited equally in relation to men from the noted improvements in welfare.¹² Not only do women in Uganda have less access to social services and assets, but are also likely to realize less income from agricultural activities than men, since cash crop production and livestock are typically dominated by male farmers, while food production for household consumption is mainly dominated by women. In addition, culturally men control the marketing and spending of income from crops and livestock. The increasing workload of women as they shift to cash crop production also means that there is less time for food crop production and self-provisioning, which is likely to decrease the welfare of the family.

4 Conclusions and recommendations

The HIPC Debt Relief Initiative is a welcome development to the Uganda government and according to other observers including CSOs, a positive forward-step towards a solution to the country's unsustainable debt. The government has particularly welcomed support to its poverty eradication programmes. Local communities have also expressed appreciation for the measures taken to-date to improve their welfare, in particular the UPE policy, which has benefited many children from poor households. However, as the implementation of PEAP programme has progressed, a number of constraints have cropped up that could undermine the present efforts on poverty eradication. This section summarizes the major weaknesses identified and provides suggestions on how the future course of PEAP should proceed.

4.1 Depth of the relief and financing social development

Though Uganda has received extra savings after qualifying for additional relief under the enhanced HIPC Initiative, there are indications that the current funding of priority programmes is not sufficient to enable the country to meet its planned poverty reduction targets. For example, as shown above, estimates for the provision of safe water to a 100-per cent of the rural population indicate a funding gap of about US\$ 15 million a year.

The UPE programme itself, which currently receives about 60 per cent of the PAF, will require more funding for the recruitment and training of teachers as well as the provision of more school facilities for the increasing number of children enrolled in primary schools, if the quality of education is to improve significantly. It is also recognized that there will be an increasing demand for post-primary education as more pupils move through primary school, and plans are already under way for expansion of post-primary education. However, the government appreciates that there is likely to be a resource constraint, and plans to involve NGOs, parents and the private sector in investment projects in the social sectors. Involving the parents and the private sector, however, has been very difficult during the earlier phases of structural adjustment programmes because of wide-spread poverty.

In general, the achievement of medium-term targets on social indicators requires a substantial increase in resources, and the government is likely to face mounting

¹² See the Republic of Uganda (2000a).

difficulties in financing social development. Domestic tax revenue constitutes the largest component of government resources. During the late 1990s, the government implemented a series of tax reforms and these have yielded some increases in tax revenue. But further increases in revenue collection may be difficult to achieve through increases in tax rates since this may simply discourage private investment. Uganda's revenue performance is also vulnerable to factors such as changes in terms of trade.

Hence, considering that estimates for the PEAP plan far exceed the estimated government overall resource envelope, further donor support or debt relief might be necessary if Uganda is to make a significant difference to its social indicators. But there are also gains to be achieved from continued improvements in tax administration, tax incentives to the private sector, and rehabilitation of physical infrastructure and financial markets. This would attract domestic and foreign investment, expand Uganda's export capacity, and generate foreign exchange needed by the economy, thus enabling it to meet its debt obligations while at the same time expanding the tax base and addressing social concerns on a sustainable basis.

4.2 Support for Jubilee 2000

Another view comes from Uganda's CSOs (including NGOs and women organizations, youth groups, church institutions and individuals) in support for the Jubilee 2000 campaign advocating that people in the debtor countries should not be made to pay debts, which they did not benefit from and that unpayable debts be forgiven on the premise that:

- The victims of the debt did not participate in the decision to contract the debt;
- The debt burden diverts resources from critical human development programmes, perpetrates conflict and turmoil, and increases environment destruction. It also erodes investor confidence and stifles development of markets and consumption;
- The debt burden perpetuates the suffering of the poor people by subjecting their consumption to heavy taxation, hence diminishing their standard of living;
- Poor people are tied to the debt burden for their entire lifetime and, this will also be inherited by future generations;
- The loans were contracted to finance economic development, but they did not yield the expected capacity to pay, and investments in the social sectors that would have directly benefited the poor were neglected; and
- The debt burden perpetuates the dependency of the poorest countries.

CSOs also support the need to establish an arbitration process, which would permit debtor and creditor countries to negotiate debt issues on a more equal basis.¹³ Further, international financial institutions should establish open, transparent and accountable procedures and allow civil society and churches audit their actions.

¹³ This proposal is based on the concern that under the current debt restructuring, creditors have the dual role of judge and interested party.

4.3 Improving service delivery to the poor

However, for debt relief to be effective, it needs continued economic stability, government commitment to reducing poverty, improvement in mechanisms to monitor the implementation of poverty reduction plans and government expenditure, anti-corruption reforms and further efforts to rebuild the capacity of governments to deliver services. One of the positive steps taken by the government is the involvement of civil society and NGOs as partners in development. NGOs and CSOs not only help to identify plans for poverty reduction, but are said to be generally effective in monitoring the implementation of those plans.

4.4 Capacity building for debt management

It is further acknowledged that a considerable part of the problems in foreign debt management were due to lack of technical capacity. This underscores the need to further strengthen debt management capacities and debt coordination within all institutions involved in debt management.

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