

## **Uganda: Poverty Reduction Strategy Paper Annual Progress Report**

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**THE REPUBLIC OF UGANDA**

## **Uganda Poverty Status Report, 2003**

**Picture**

**(Achievements and Pointers for the PEAP Revision)**

**Ministry of Finance, Planning and  
Economic Development  
P.O. Box 8147, KAMPALA.**

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## FOREWORD

Government is implementing the Poverty Eradication Action Plan (PEAP), that articulates a national vision for poverty eradication by 2017. Strong emphasis is placed on monitoring the relevance and effectiveness of the agreed actions in producing the desired results.

To this effect, government produces Poverty Status Reports (PSR) every two years. This year, in collaboration with development partners and CSOs, government has prepared this Poverty Status Report 2003.

The Report, assesses the progress and challenges in the implementation of the PEAP for the period 2000, to date. It also indicates the future policy direction under each of the four goals of the PEAP. This is of particular importance because it provides the basis for the issues to be re-examined during the PEAP revision also slated for this year.

It is hoped that the findings and recommendations of the Report will stimulate critical thinking and debates for the PEAP revision.

Gerald M. Ssendaula  
**Minister of Finance, Planning  
and Economic Development.**

## Acronyms and Abbreviation

ABEK	Alternative Basic Education for Karamoja
ACE	Agricultural Commodity Exchange
ADF	Allied Democratic Front
ADR	Alternative Dispute Resolution
AIDs	Acquired Immuno-deficiency Syndrome
BAT	British American Tobacco
BFP	Budget Framework Paper
bn	billion
BoU	Bank of Uganda
BTTB	Background to the Budget
BTVET	Business, Technical, Vocational Education and Training
CADER	Centre for Dispute Resolution
CBG	Capacity Building Grant
CCS	Commitment Control System
CDA	Uganda Coffee Development Authority
CDO	Cotton Development Organisation
CDW	Community Development Worker
CMOCs	Civil Military Operation Centres
COMESA	Common Market for Eastern and Southern Africa
CORPs	Community Resource Persons
CP	Community Polytechnics
CPR	Common Property Resources
CRC	Constitutional Review Commission
CSO	Civil Society Organization
CSOPNU	Civil Society Organizations for Peace in Northern Uganda
DHS	Demographic Health Survey
DPT	Diphtheria, Pertusis and Tetanus
DRC	Democratic Republic of Congo
DRDP	District Road Development Programme
DUCAR	District, Urban and Community Access Roads
EAC	East African Community
EACU	East African Customs Union
EIA	Environmental Impact Assessment
ENR	Environment and Natural Resource
ESIP	Education Sector Investment Plan
FAO	Food and Agricultural Organisation
FDS	Fiscal Decentralisation Strategy
FMS	Fiscal Management System
FY	Financial Year
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GoU	Government of Uganda
H.E	His Excellency
HASNET	HIV/AIDS Agricultural Sector in Uganda Network
HIPC	Highly Indebted Poor Countries
HIV	Human – immuno Virus

HSSP	Health Sector Investment Plan
HUMCs	Health Unit Management Committees
ICT	Information and Communication Technology
IDP	Internally Displaced Person
IFMS	Integrated Financial Management System
IGAD	Inter-government agency on Dessertification
IGG	Inspector General of Government
ILO	International Labour Organisation
IPSAS	International Public Sector Accounting Standards
ITA	International Institute of Tropical Agriculture
JLOS	Justice, Law and Order Sector
LC	Local Council
LDU	Local Defence Unit
LGBFP	Local Government Budget Framework Paper
LGDP	Local Government Development Programme
LGs	Local Governments
LRA	Lords' Resistance Army
LSSP	Land Sector Strategic Plan --
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MAPS	Marketing and Agro-Processing Strategy
MDI	Micro-Finance Deposit Taking Institutions
MFIs	Micro Finance Institutions
MPED	Ministry of Finance, Planning and Economic Development
MGLSD	Ministry of Gender, Labour and Social Development
MOES	Ministry of Education and Sports
MOH	Ministry of Health
MoLG	Ministry of Local Government
MoPS	Ministry of Public Service
MoWHC	Ministry of Works, Housing and Communications
MoWLE	Ministry of Water, Lands and Environment
MSE	Micro and Small Scale Enterprises
MTCS	Medium Term Competitive Strategy
MTEF	Medium Term Expenditure Framework
MUIENR	Makerere University Institute of Environment and Natural Resources
NAADS	National Agricultural Advisory Services
NARO	National Agricultural Research Organisation
NARS	National Agricultural Research System
NEMA	National Environment Management Authority
NFA	National Forest Authority
NFP	National Forest Plan
NGO	Non-governmental Organisation
NR	Natural Resource
NRI	Natural Resources Institute
NSCG	Non-sectoral Conditional Grant
NSDS	National Service Delivery Survey
NSF	National Strategic Framework
NUSAF	Northern Uganda Social Action Fund
NWSC	National Water and Sewerage Corporation
OAG	Office of Auditor General
OPD	Out-patients Department
PAC	Public Accounts Committee

PAF	Poverty Action Fund
PDCs	Parish Development Committees
PEAP	Poverty Eradication Action Plan
PEMCOM	Public Expenditure Management Steering Committee
PEWG	Poverty Eradication Working Group
PFAB	Public Finance and Accountability Bill
PMA	Plan for Modernization of Agriculture
PMCs	PAF Monitoring Committees
PMES	Poverty Monitoring and Evaluation Strategy
PNFP	Private not – for - profit
PPA	Participatory Poverty Assessment
PPEA	Participatory Poverty Environment Assessment
PRSC	Poverty Reduction Sector Credit
PRSP	Poverty Reduction Strategy Paper
PSIDP	Parliamentary Strategic Investment and Development Plan
RWSS	Rural Water and Sanitation Sub-sector
PTR	Pupil Teacher Ratio
RNFE	Rural Non-Farm Economy
RSDP	Road Sector Development Programme
SDIP	Social Development Strategic Investment Plan
SDS	Social Development Sector
SEP	Strategic Exports Programme
SHS	Shillings
SP	Social Protection
STG	Security Transition Group
STRATEX	Strategic Exports
SWAP	Sector Wide Approach
UCBL	Uganda Commercial Bank Limited
UCS	Uganda Computer Services
UDHS	Uganda Demographic and Health Survey
UHRC	Uganda Human Rights Commission
ULAA	Uganda Local Authorities Association
UNHCR	United Nations High Commission for Refugees
UNHS	Uganda National Household Survey
UNRF	Uganda National Redemption Front
UPDF	Uganda Peoples’ Defence Forces
UPE	Universal Primary Education
UPPAP	Uganda Participatory Poverty Assessment Project/Process
URA	Uganda Revenue Authority
US	United States
USE	Uganda Securities Exchange
WHO	World Health Organisation
WRS	Warehouse Receipt System
WSS	Water Supply and Sewerage

# Executive Summary

## Introduction

The Poverty Status Report (PSR) is a periodical publication on Uganda's poverty status and is one of the instruments through which Government systematically monitors progress and outcomes of implementation of the Poverty Eradication Action Plan (PEAP) policies and programmes. This report, the third to be published since the launching of the PEAP in 1997, reviews progress and constraints to implementing the PEAP for the period 2000 to-date.

The preparation of this report has been a collaborative effort between line ministries, research institutions, development partners and civil society organisations; and brings together evidence on the major achievements and problematic areas from a wide range of sources.

A unique feature about this report, is that it coincides with the commencement of the PEAP (2000) revision process. It therefore provides the basis for the issues to be re-examined during the revision.

The structure of the report follows that of the PEAP, with a chapter for each of the four pillars and concluding with a way forward.

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

Sustained economic growth through prudent macroeconomic policies, economic openness and export diversification are correctly identified in the PEAP as pre-conditions for poverty reduction. Macro-economic stability was maintained with inflation being kept within the PEAP target limits. However, GDP growth rate over the review period has been below target, as a result of poor terms of trade and the persistent insecurity in the northern parts of the country. With sectoral shares of GDP remaining constant over the past four years, it is evident that structural transformation is not taking place as desired. Although it is widely recognised that sustained economic growth requires prudent use of natural resources, there is anecdotal evidence that environmental degradation is currently occurring in Uganda. There are concerns that the pattern of the current economic growth is building up an environmental burden which will primarily be borne by the poor – who largely depend on natural resources.

Sustained economic growth can only be delivered by the private sector but government has to create an enabling environment. Marked progress has been made in the power sector where load-shedding has been reduced; telecommunications sector has doubled its telephone subscribers; while the Kampala commercial courts have been reformed. However, there is a need for enhanced coordination between the Medium Term

Competitive Strategy, the Plan for Modernisation of Agriculture and the Strategic Exports framework.

Domestic revenue performance is still very poor leading to an increasing fiscal deficit that is donor funded. This raises concerns about the country's level of donor dependency. On the expenditure side, budgetary allocations to the poverty reducing expenditures continued to rise substantially, and this is also reflected in higher per capita releases for the poorer regions of the north and east. The key area of concern is the value for money for these expenditures.

During the PEAP revision, areas to be reviewed are sources for pro-poor growth, and the identification of complementary social services that will improve the capacity and opportunities of the poor men and women to improve their productivity.

### **Strengthening good governance and Security**

Economic growth can neither occur in an insecure environment nor translate into poverty reduction if the institutional frameworks and mechanisms through which the interventions are undertaken are inappropriate. Although security was maintained in most parts of the country, insurgency continues to persist in the northern parts of the country, while cattle rustling is still rampant in areas neighbouring Karamoja. Another concern is the issue of refugees who flee instability within neighbouring countries.

There have been significant improvements in the observance of human rights but there have been reports of violations of human rights, particularly the suspects under police and military detention. Workers' rights are also violated with impunity by various employers. The Justice, Law and Order sector has made some headway in improving access to and efficiency of criminal justice services, while its reforms in the commercial justice sub-sector have enhanced peoples' confidence in the judicial system.

On the democratisation front, the conduct of elections increased the participation of citizens in the decision-making within their localities. However, community members also decry the electoral mal practices. Progress has been registered in terms of intensified and deepened consultations, at all levels, between government and civil society organisations. The challenge is how to strengthen these partnerships in poverty monitoring.

There were improvements ranging from human resource development to strengthening institutional capacity in the public administration sector geared towards efficient service delivery. In addition to improved access to public services, there is evidence that corruption is reducing in their delivery. The problem is resolving the tension of providing adequate services as demanded by the citizens as opposed to keeping a lean public service. Although notable progress has been made in the design and implementation of major programmes intended to strengthen the implementation of the decentralisation policy, the proliferation of local governments and the decline in their ability to generate local revenue threatens the essence of the policy.

Issues to be re-examined during the PEAP revision, are the decentralised framework, inclusion of refugees among the poor socio-economic groups and the determination of performance indicators and targets for this pillar.

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

The limited availability of household data for the review period, made it difficult to ascertain the extent to which economic growth was resulting into improvements in the income levels of Ugandans. Anecdotal evidence from other studies give a mixed picture about the key determinants of household consumption growth. Access to and ownership of key assets is now a problem for poor households as the quality of the environment on which they depend is declining, while the size of their landholdings are increasingly fragmented. The returns to the assets continuously fluctuate as inadequate attention has been focused on the development of the productive sectors. There has been uneven progress in enhancing the poors' access to physical infrastructure in the areas of rural roads, energy, markets and financial services. The situation is aggravated in areas where insecurity is rampant.

Although access to social services has improved, the quality of the services is still wanting. The high population growth rate also causes undue pressure on the services.

Unemployment and under-employment among the urban populations continues to be a thorny issue, and there are indications that in the near future, it will also be a rural problem given the dwindling asset base for the rural people.

Government has made significant strides in addressing gender inequalities but the disparities at the household level still persist, and are hindering the supply response especially in agricultural production.

Efforts to improve livelihoods are taking issues of the environment on board with various policies and interventions already under implementation. However, the absence of a National Land Policy and Land Use Policy is frustrating the effective implementation of other policies and programmes.

Issues for consideration under PEAP revision, are the comprehensive poverty diagnostics to establish the problems of different socio-economic groups and the most appropriate poverty reduction strategies, and the effective integration of gender concerns. In the meantime, there is need to speed up the implementation of the Plan for Modernisation of Agriculture in a coordinated and coherent manner.

### **Improving the Quality of life of the Poor**

The ultimate objective in poverty reduction is to have a quality life, and focus continues to be on provision of basic services particularly health care, education, safe water and sanitation.



Funding to the basic services has consistently risen, and the health education sectors are on track to achieving the PEAP targets.

Ill health, because of malaria and HIV/AIDs, continues to be the number one problem for the people. This reconfirms the poor quality of life as reflected in the high infant and maternal mortality rates. However, with improved access to and use of health facilities the problem of ill health may be contained. Of concern is the poor quality of health services, which is partly a result of under-funding.

The education sector is making progress despite the problems of a high population growth rate and HIV/AIDs epidemic that are threatening to wipe out the gains of UPE. The first UPE graduates are expected this year and preparations are underway to facilitate universal secondary education. The challenge will be to ensure provision of both quality primary and secondary education.

Access to safe water and sanitation are still a big problem despite the large public expenditures in the sector. Although the higher population growth rate may explain this phenomenon, there is evidence of poor value for money spent in the sector.

A new area under this pillar is that of social protection that aims to consider both efficiency and equity issues in the development agenda.

Issues for consideration during the PEAP revision are identifying mechanisms to ensure value for money expenditures within a decentralised framework; ensuring that gains made in economic growth are translated into improved welfare for men and women within households, and striking a balance between efficient provision of services and equity concerns.

## **The Way Forward**

Government has consistently increased expenditures on directly poverty reducing activities. This has increased access to services although the quality is still poor.

Government shall endeavour to tackle the challenges hindering the effective implementation of the PEAP as identified under each pillar. Special attention shall be put on the areas identified as issues for review during the PEAP revision. This time round, more realistic outcome indicators and targets shall be developed.

## *Introduction*

### **Background:**

The Poverty Status Report (PSR) is a periodical publication on Uganda's poverty status and is one of the instruments through which Government of Uganda systematically monitors progress and outcomes of implementation of the Poverty Eradication Action Plan (PEAP) policies and programmes.

The report provides empirically based assessments on achievements and problematic areas in implementing the PEAP at the macro, meso and micro socio-economic levels as well as recommendations on the corrective measures required to meet Uganda's poverty reduction targets.

The 2003 Poverty Status Report (PSR) is the third PSR published by Government since the launch of the PEAP in 1997, the first and second being the 1999 and 2001 Poverty Status Reports. A unique feature about the 2003 PSR is that it coincides with the commencement of the PEAP (2000) revision process. Its review period therefore, unlike the previous two that each covered two-year terms, covers the entire three-year term (2000-2002) of the current PEAP.

### **Methodology**

Preparation of the report commenced in October 2002 under the coordination of the Ministry of Finance, Planning and Economic Development (MFPED) with a half-day stakeholders' workshop. At this meeting, MFPED presented a proposal on the arrangements and schedule for the preparation of the report. This was followed by another half-day stakeholders' workshop in December 2002 in which consensus on the structure of the report was reached and multi-institutional teams were constituted to undertake the drafting of the respective chapters of the report.

Agreement was also reached during the second meeting to have the preparation of the report constitute phase one of the PEAP (2000) revision process. Subsequently, its information requirements and degree of stakeholder participation were widened to ensure that the report provides rich analytical insights upon which the second phase of the PEAP revision process will draw from. The drafting teams for the chapters were assisted by the various Sector Working Groups (SWGs) as well as the PEAP revision secretariat.

Furthermore, in drafting the report, consensus was reached amongst stakeholders on the need and the way to identify and integrate in crosscutting issues across the four chapters of the report. A total of eight crosscutting issues were identified for discussion and the Poverty Eradication Working Group developed guidelines for use by the respective drafting teams in integrating them within their respective chapters. The identified issues were Gender; Geographical inequalities; Population; Empowerment and Community

Mobilization, Environment, Intra and inter-sectoral linkages; HIV/AIDS and Social Protection. To underscore the importance of some of these crosscutting issues, in addition to integrating them within the four chapters, they are also articulated as standalone sub-sections.

A draft copy of the report was circulated amongst stakeholders' for review and comment and a workshop was convened to enable the drafting teams interface with reviewers and respond to comments from stakeholders as well as spell out the way forward in the preparation process.

The report extensively draws on wide sources of information including preliminary results of the 2002 National Census, the second Uganda Participatory Poverty Assessment (UPPA II), sectoral reviews, the second National Integrity Survey, financial tracking studies and NGO & donor research and monitoring reports

The report is comprised of four chapters (similar to the PEAP goals) and an annex section. Chapter one, reviews developments in economic growth and structural transformation in Uganda and what influence and contribution this has had on poverty reduction. In particular, it reports on the performance of GDP and export sector growth, inflation; domestic revenue and public finance; and the poverty focus of the budget.

Chapter two, reports on progress made towards achieving good governance and security in the context of the PEAP. It identifies the different thematic areas under governance and security and reviews the developments within these in terms of policy reforms, implementation and impact on the poor. The thematic areas discussed are security; human rights; democratisation; decentralisation; strengthening institutional frameworks that support public expenditure management; delivery of public services; and justice, law and order. It also devotes attention to discussing the newly developed sector-wide outcomes indicators for the medium-term, and institutional output indicators for each component programme.

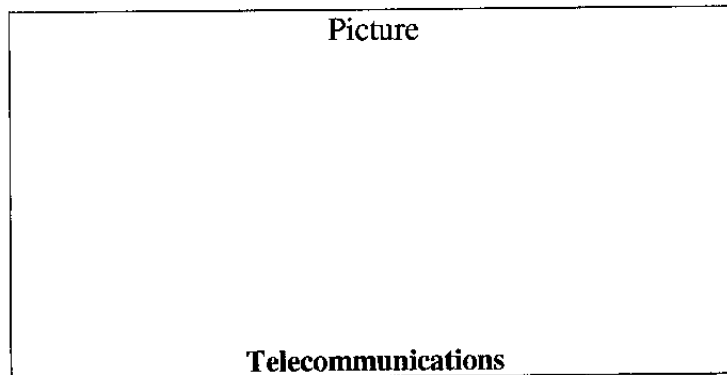
Chapter three, looks at developments in Government's efforts to increase asset ownership by the poor as well as the returns from them. It particularly emphasizes, the role that the environment and natural assets; infrastructure; and credit have played in sustaining poor peoples livelihoods. In addition, it explores the major factors determining the observed income trends of the poor, and the effects of some Government's key economic policies on the incomes and livelihoods of the poor. Significant attention is devoted to discussing developments related to implementation of the Plan for Modernisation of Agriculture (PMA) as a central framework around which Government's efforts to increase incomes of the poor is centred.

Chapter four, reports on progress in the implementation of Health, Education and Water and Sanitation programmes. This is followed by a review of policy issues of significant impact to the improvement of the quality of life of the poor namely: population; environment; HIV/AIDS; and social development.

The way forward summarises the main findings and spells out areas of future focus for government.

## **CHAPTER 1**

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



#### ***1.1 Introduction***

Sustained economic growth is central to poverty eradication in Uganda, and should necessarily be accompanied by structural transformation, which, in Uganda's case, must involve the modernisation of agriculture as well as the growth of industry<sup>1</sup>. Sustained economic growth can only be delivered by the private sector. Government's role is to create an economic environment which is conducive to sustained private sector activity, whilst directing its own budgetary resources towards directly poverty-reducing expenditures.

In the Poverty Eradication Action Plan (PEAP), the Government recognised that sustained economic growth requires prudent macroeconomic policies, economic openness and export diversification, and prudent use of natural resources. It also committed itself to delivering an economic environment, which could achieve an annual GDP growth rate of 7% per annum, and to controlling Government expenditure so that inflation was contained to 5% per annum or less. In addition, the Government has made a commitment to removing the structural barriers to private sector investment, and to facilitating the modernization of agriculture.

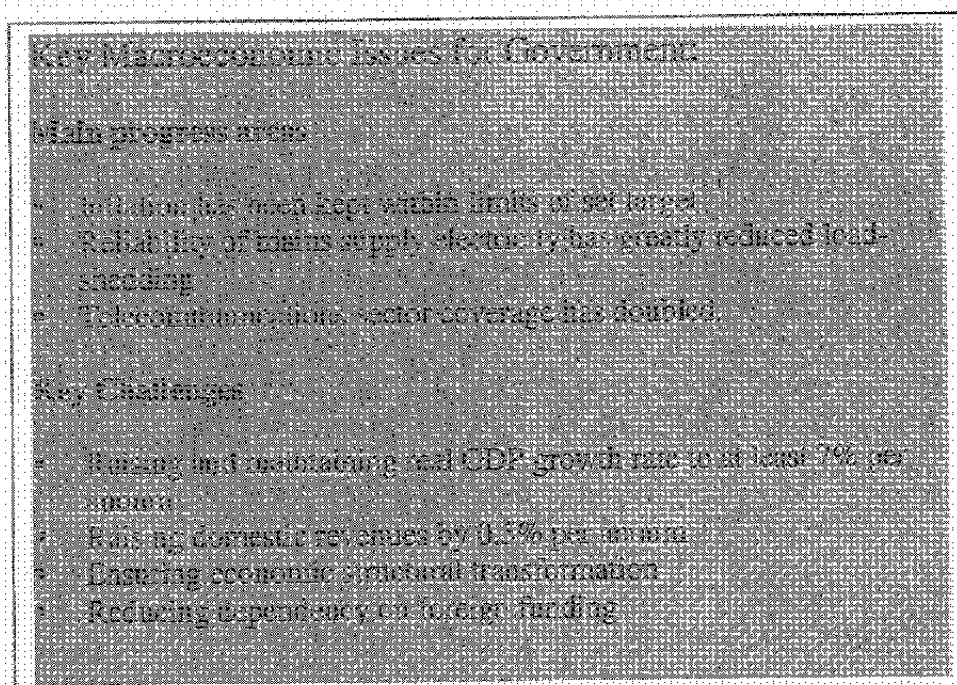
This chapter, reviews Government's progress over the past two years, in delivering its commitments on creating an environment conducive to sustained economic growth and transformation highlighting wherever possible the impact of recent developments upon the poor.

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<sup>1</sup> Poverty Eradication Action Plan (2001-03), Volume 1; Ministry of Finance 2001

The chapter has six sub-sections. The sub-sections, 1 – 3 review economic performance in light of macro-economic indicators; while the fourth section examines status of implementing policies to enable the private sector. The fifth section reviews issues of public expenditure pertaining to generation and effective use of public revenues, while the sixth draws out the future policy directions.

## 1.2 Economic Growth



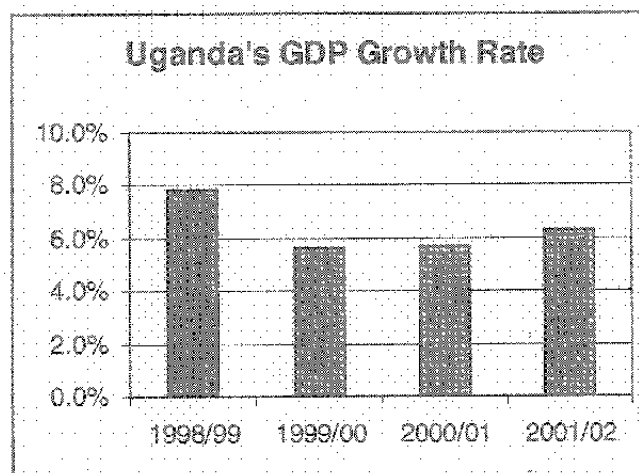
### 1.2.1 Overall GDP growth

Uganda's real GDP grew by 6.3 per cent in 2001/02, a rate of growth that was below the 7 per cent annual growth target set out in the PEAP. However, this rate was higher than the rate of 5.6 per cent per annum registered in both 1999/00 and 2000/01, when falling world coffee prices and rising oil prices constrained the expansion of productive sectors of the economy. Growth in social services, wholesale and retail trade, manufacturing and food crops contributed strongly to overall GDP growth in both 2000/01 and 2001/02, but growth in 2001/02 was also boosted by higher output in the construction and cash crops sub sectors.

GDP growth over the medium term is projected to average 5.9% per annum, which is lower than the rate of 7% per annum considered necessary by the PEAP for Uganda to meet its poverty eradication goals by 2017. However, GDP growth could return to a growth path of 7% per annum in the longer term if Government successfully implements its current strategies to boost economic development, such as the Medium Term Competitive Strategy for the Private Sector (MTCS) and the Plan for the Modernisation of Agriculture (PMA). GDP growth would also be boosted by the implementation of the

Bujagali Dam project and by a resolution of the conflict in Northern Uganda. Nonetheless, as part of the forthcoming PEAP revision, work is ongoing to identify a vision for structural transformation over the next two decades, and to assess the possible impact of a shortfall in GDP growth on poverty reduction in Uganda.

Figure 1.1 : Uganda's GDP growth Rate



Source: UBOS

### 1.2.2 GDP per capita

Results from the 2002 Population and Housing Census indicate that Uganda's population grew at an average rate of 3.4% per annum between 1991 and 2002. As a result of this high rate of population growth, annual real GDP per capita growth is below the 5% level set out in the Poverty Eradication Action as desirable for achieving the poverty eradication objectives by 2017.

Uganda's high rate of population growth is due to high fertility levels, with the average Ugandan woman giving birth to seven children in her lifetime. Such high fertility levels clearly have significant implications for female productivity. Time which women could otherwise spend in working to raise their incomes is taken up with bearing and looking after large numbers of children, and short birth intervals are associated with higher levels of infant mortality and poor maternal health.<sup>2</sup> Moreover, the cost of caring for large families, particularly when sick, directs scarce resources away from other productive investments, uses up savings and leads to the sale of assets<sup>3</sup>. Whilst these issues will be discussed in greater detail in other areas of the report, it is important to highlight their implications for Uganda's overall rate of GDP growth, which can be adversely affected by reduced female productivity. Even if real GDP returns to a growth path of 7% per annum, Uganda's population growth rate will need to slow to just under 2% per annum to

<sup>2</sup> Infant Mortality in Uganda 1995-2000; Ministry of Finance, August 2002

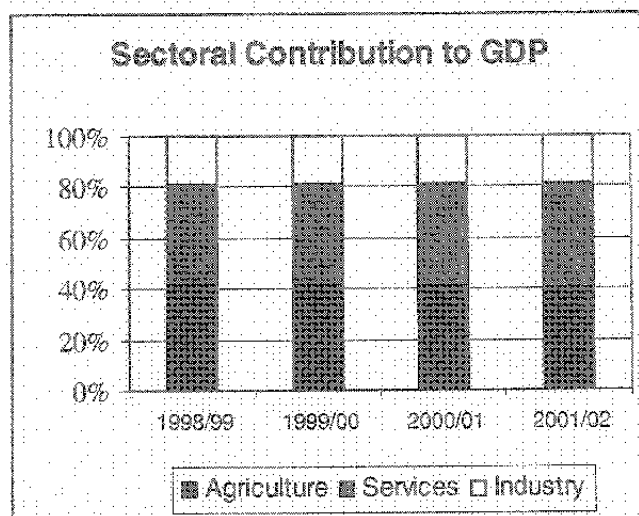
<sup>3</sup> Uganda Participatory Poverty Assessment Process (UPPAP) December 2002: National Report

enable a real GDP per capita growth rate of 5% per annum. Without such a slowdown, the poverty eradication targets could be jeopardised even if the economy grew at 7 percent, since it is the poor who have the largest families.

### 1.2.3 GDP growth by sector

The sectoral shares of GDP have remained relatively constant over the past four years, with services and agriculture accounting for just over 40% of GDP respectively, and industrial output accounting for just under 20%. There is clear evidence that structural transformation is not taking place as desired. Within the agricultural sector, the ratio of monetary to non-monetary output has remained constant, therefore, challenging the implementation of the PMA.

Figure 1.2 : Sectoral Contribution to GDP



Source: UBOS

#### ▪ Services

The service sector accounted for 40.6 per cent GDP in 2001/02. Within this sector, Government expenditures on social services provision were the biggest sub sector, accounting for half of total services output, whilst wholesale and retail trade accounts for a quarter. While increased public expenditures on social services is a good move for the poor, there are concerns over the value for money for these expenditures; which issues shall be reviewed in chapters 2 and 4.

#### ▪ Industry

Industrial production accounted for 18.9% of GDP in 2001/02, with manufacturing and construction making the greatest contribution. Having performed relatively poorly in 1999/2000, in part as a result of high oil prices, industrial output improved in 2000/01.

▪ **Agriculture**

The agriculture sector accounted for 40.5 per cent of Uganda's GDP in 2001/02. Agricultural output has grown by less than the average GDP real growth rate over the past four years, which is a point of concern. It grew by 4.6% in 2000/01 and 5.1% in 2001/02. The slower rate of agricultural growth as compared to other sectors of production has significant implications for the livelihoods of the poor, the majority of whom are involved in agricultural production.<sup>4</sup> If agricultural production continues to grow more slowly than other sectors of production, income inequality can be expected to increase, unless a significant number of workers are able to shift away from agriculture towards other forms of production. This highlights the need for rapid, broad-based implementation of the Plan for Modernisation of Agriculture, without which Uganda is unlikely to meet its poverty eradication goals.

There was strong growth in food crop agriculture in 2001/2, but because demand is relatively price inelastic, food crop prices fell sharply. Hence incomes of food crop farmers are unlikely to have increased. The return to more normal weather conditions in 2002/3 led to a slow down in agricultural growth and a rebound in food crop prices – to the benefit of the rural poor.<sup>5</sup>

**Table 1. 1 : GDP growth by Sector**

Sector	1998/99	1999/00	2000/01	2001/02
Agriculture	5.8%	5.6%	4.6%	5.1%
- monetary	6.6%	5.2%	4.3%	6.1%
- non-monetary	4.9%	6.1%	5.0%	3.8%
Industry	12.0%	5.3%	6.1%	7.0%
Services	6.9%	6.3%	7.2%	6.8%
<b>Total GDP - Factor Cost</b>	<b>7.4%</b>	<b>5.8%</b>	<b>5.9%</b>	<b>6.2%</b>
Indirect Taxes	11.9%	3.6%	3.1%	7.2%
<b>Total GDP -Market Prices</b>	<b>7.8%</b>	<b>5.6%</b>	<b>5.6%</b>	<b>6.3%</b>

Source: UBOS

▪ **Regional breakdown of GDP**

At present, no data is widely available on economic performance on a regional basis. Such information would greatly add to poverty analysis, since it would supplement the regional poverty data that is available through the household survey, and facilitate the development of Government policies to target poverty reduction in particular areas, such as Northern Uganda. As a starting point, Uganda Bureau of Statistics needs to collect and publish data on agricultural output by crop and region, with plans to expanding coverage to districts.

<sup>5</sup> UNHS 2000 – 85% of the poor live in rural areas

<sup>4</sup>Preliminary results from the 2002 UNHS show that 56% of employed, economically active people work in the agriculture and fisheries sector.



#### **1.2.4 GDP Growth and Environmental Sustainability**

It is widely recognized that sustained economic growth requires prudent use of natural resources. Prudent use of natural resources is especially vital for Uganda because its substantial endowment of high quality agricultural land means that agricultural production will continue to be a mainstay of the economy for the foreseeable future. Moreover, many of the rural population, and particularly the rural poor, are dependent on natural resources such as forests and natural water sources for their basic level of daily subsistence.

Although anecdotal evidence suggests that environmental degradation is currently occurring in Uganda, particularly deforestation, wetlands encroachment and land degradation, there is currently not enough data available to calculate accurately the poverty and growth impacts of this degradation. It is widely recognised that the real economic value of natural resources to Uganda are currently undervalued. There are also concerns that the pattern of the current economic growth is building up an environmental burden which will primarily be borne by the poor, who are the section of the population whose livelihoods are most dependent on natural resources<sup>5</sup>. Both these concerns mean that it is necessary to analyse existing data, and to collect new data<sup>6</sup>, to inform cross-cutting policy decisions which impact upon the quality of the environment in Uganda. The benefits of sustainable natural resource utilisation, and the very real dangers associated with over-use of natural resources, particularly for the poor, also need to be better reflected in the forthcoming PEAP revision.

#### **1.2.5 GDP Growth and Employment**

The 2002 Uganda National Household Survey mid-term report<sup>7</sup> shows that 45% of Uganda's population is economically active. Within this sub-set, 79.6% are either self-employed or un-paid family workers, and the figure is considerably higher for female workers, at 88.2%. Uganda Bureau of Statistics Report on the 2001/02 Business Register<sup>8</sup> also reports that only 3.6% of the economically active population are employed by the private sector, where the private sector is defined as formal or informal businesses operating from fixed premises. Only 39% of these workers are female, and only 5.2% of them are employed in Northern Uganda, with the bulk of the employment, 63.4%, occurring in the Central Region.

Whilst it is taken as a given that strong GDP growth will result in job creation, these brief statistics demonstrate that there are significant gender and regional imbalances in current employment patterns in Uganda. Moreover, they do not make a distinction between employment and under-employment; many of the 79.6% of economically active workers who are categorized as either self-employed or un-paid family workers are probably

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<sup>5</sup> The Costs of Environmental Degradation and Loss to Uganda's Economy, with particular reference to Poverty Eradication (Final Draft); IUCN, July 2001

<sup>6</sup> Poverty Relevant Environmental Indicators: Status Report for Uganda ; MFPED 2002

<sup>7</sup> Uganda Bureau of Statistics, January 2003

<sup>8</sup> Uganda Bureau of Statistics, January 2003

better characterized as being under-employed or unemployed rather than employed. They also do not give an insight into the impact of employment patterns upon the poor. For the poor, who are frequently unskilled and lack access to productive resources such as land and credit, employment may be the only means of improving their social and economic welfare, and yet conversely, their lack of skills and assets may be the very factors that prevent them from accessing productive employment.<sup>9</sup>

Although robust, detailed labor force statistics are currently lacking in Uganda, the Uganda Bureau of Statistics is planning to undertake a Labor Force Survey in the near future, which will help inform policy decisions orientated towards improving the employment situation in Uganda. The Ministry of Gender, Labor and Social Development also has plans to develop a Labor Market Information System, and has already articulated a policy framework aimed at tackling issues relating to social exclusion and employment in the Draft Social Development Sector Strategic Investment Plan.

### 1.3 Inflation

Overall average price levels remained comfortably below the PEAP target level of 5% during 2000/01 and 2001/02. Overall inflation averaged 4.5% in 2000/01 and minus 2.0% in 2001/02. The negative rate of annual inflation in 2001/02 was due to the sharp decline in food crop prices during the year, on account of a bumper harvest. Whilst food crop prices rose by an average of 2.5% during 2000/01, they fell by 21% in 2001/02. As noted in the section above, the fall in food crop prices meant that the earnings from agriculture remained unchanged between 1999/00 and 2001/02, even though agricultural output increased, and this is likely to have had an adverse effect on the purchasing power of the poor, because the prices of goods and services excluding food crops rose by 5.0% in 2000/01 and 3.5% in 2001/02.

**Table 1. 2 : Inflation Indicators**

<b>Annual Inflation</b>	<b>1998/99</b>	<b>1999/00</b>	<b>2000/01</b>	<b>2001/02</b>
Overall Inflation	0.2%	5.9%	4.5%	-2.0%
Non-Food Crops	2.8%	5.0%	5.0%	3.5%
Food Crops	-7.8%	9.0%	2.5%	-21.0%

Source: UBOS

Since the beginning of the financial year 2002/03, there has been a steady increase in overall inflation, with the rate rising from minus 2.5% in June 2002 to 5.8% in December 2002, largely on account of a rebound in food crop prices arising from lower levels of food crop production. The price of goods and services excluding food crops also rose over the same period, but far less rapidly, from 0.1% to 1.4%. Overall inflation is expected to average 5.8% this financial year, slightly above the PEAP target.

<sup>9</sup> Draft National Employment Policy, Ministry of Gender, Labour and Social Development; June 2002

## 1.4 Export Performance

Sustained poverty reduction efforts require reduced dependency on external funding. One strategy to this effect, is enhanced growth in exports.

The decline in international commodity prices since 1998/99, particularly in the price of coffee, Uganda's largest export commodity, has adversely affected export receipts over the past four financial years. Earnings from exports of goods and services totaled \$676m in 2000/01, and \$699m in 2001/2, as compared to \$735m in 1998/99. Exports amounted to 11.8% of GDP in each of 2000/01 and 2001/02, as compared to 12.3% in 1998/99.

Exports, of goods have been adversely affected by the decline in international commodity prices. Coffee export prices fell by almost 70% in dollar terms between 1998/99 and 2001/02, leading to a \$222m decline in coffee export earnings. Although coffee prices have picked up slightly in the first half of the current financial, they are still 50% lower than in 1998/99. Prices for each of the other three traditional exports, (cotton, tobacco and tea) also fell between 1998/99 and 2001/02, although less markedly than coffee. The fact that the earlier observed poverty reduction among farmers was mainly attributed to the good coffee prices, the falling prices may be an indication of reversing trends. However, this remains to be confirmed from the national survey data.

The substantial decline in coffee export earnings seen over the past four years has to a large extent been offset by an increase in earnings from non-traditional exports, which rose by 81% over the same period. Earnings from non-traditional exports amounted to \$251m in 2000/01, as compared to \$165m in 1998/99, and they grew by 20% to \$300m in 2001/02, as volumes of key products rose significantly. Fish and fish products were the highest earning non-traditional export in 2001/02, fetching \$88m, which was \$3m more than coffee, whilst maize exports earned \$20m, hides and skins \$19m and flowers \$15m. In the context of the PEAP revision, further analysis is required to identify drivers of growth in non-traditional exports to date.

**Table 1. 3 : Exports of Goods and Services – (Million dollars)**

	1998/99	1999/00	2000/01	2001/2
<b>Goods</b>	<b>537</b>	<b>431</b>	<b>437</b>	<b>463</b>
- coffee	307	187	110	85
- tea, cotton& tobacco	65	80	76	78
- other	165	164	251	300
<b>Services</b>	<b>186</b>	<b>203</b>	<b>218</b>	<b>224</b>
<b>Total</b>	<b>735</b>	<b>663</b>	<b>676</b>	<b>699</b>

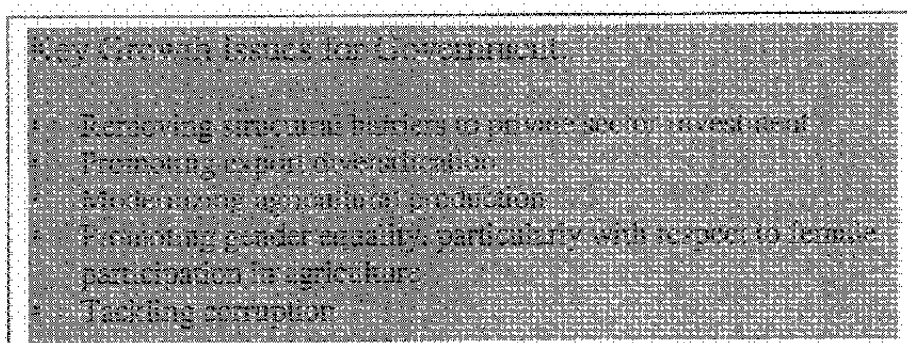
Source: BoU and UBOS

The scale of the decline in the international prices of Uganda's traditional export commodities over the past four years, particularly coffee, and the extent to which growth in non-traditional export has helped offset the decline at national level, demonstrates the importance of export diversification as a part of Uganda's future growth strategy. However, export diversification per se does not necessarily guarantee pro-poor growth. It depends on the type of export diversification strategy that is pursued. Both the Plan for

the Modernisation of Agriculture, and the accompanying Strategic Exports Programme, will need to focus on rural farmers, to ensure that they are able to diversify their agricultural production where necessary, or to earn premium prices for high quality production of traditional commodities in the international market, to lessen their vulnerability to declining or fluctuating primary commodity prices.

In addition, gender concerns must be integrated into the Strategic Exports Program. The recently concluded poverty and social impact analysis on the STRATEX, noted that the lack of women's control over exports was likely to negatively affect the supply response of the strategy.

## 1.5 : Enabling the Private Sector



### 1.5.1 Constraints on Growth

*Experience in the late 90s showed that a series of economic and financial reforms geared towards macroeconomic stability and increasing private sector investment are necessary but not sufficient conditions for sustained growth. The Government, therefore, decided that further supply side reforms were necessary to maintain the pace of economic development and reduce the economy's vulnerability to exogenous shocks.*

In August 2000 the Government launched both the Medium Term Competitive Strategy for the Private Sector (MTCS) and the Plan for the Modernisation of Agriculture (PMA) as tools to address bottle-necks to private sector development and sustained economic growth. In May 2001, an Economic Growth and Transformation Strategy paper was presented to the Donor Consultative Group meeting. The paper built on strategies set out in the MTCS and the PMA. Whilst its recommendations on barriers to investment were already broadly covered by ongoing work under the MTCS, the Government responded to the recommendations on strategic interventions by setting up the Strategic Exports Program (SEP) to work in tandem with the PMA.

The PMA, the MTCS and the SEP are jointly expected to tackle a number of supply-side constraints to economic growth, including:

- limited access to markets on account of poor transport infrastructure
- limited access to markets on account of lack of market information, farm-level processing and marketing skills
- vulnerability to exogenous shocks
- unreliable or non-existent utility services
- limited access to affordable micro-finance and long-term financing
- excessive regulatory burdens upon business
- corruption in tax administration and
- weak judicial processes.

Whilst these programs recognize the need for broad-based economic growth which increases the ability of the poor to raise their incomes, and outline strategies to achieve this goal, they need to be coordinated with other Government programs in areas such as health, education, water and sanitation, natural resources, gender and social empowerment. Enhanced human capacity, particularly amongst the poorest and most excluded members of society, and sustainable environmental management are key to pro-poor economic growth in Uganda. This, in turn, will to a large extent be based on enhanced agricultural productivity, especially in small holder food crop agriculture, and the generation of off-farm income earning opportunities in the rural areas. Government policies in these areas will be discussed in greater detail later in this document, as will Government's efforts to tackle corruption, which has historically been seen as a significant barrier to doing business.

### **1.5.2 The Plan for the Modernisation of Agriculture (PMA)**

The PMA was developed as a result of the realization that resources invested in the agricultural sector over many years were not yielding the desired results, and that the modernization of the sector required the participation and co-ordination of various ministries and institutions. It also arose from the recognition that paying greater attention to the agricultural sector was the fastest way of propelling the economy's process of structural transformation, instead of giving priority to other areas, such as import substitution, which have a very poor record of promoting economic development, and make no contribution to poverty reduction.

Key principles in the implementation of the PMA are the empowerment of stakeholders so that they are able to demand and pay for services they need, deepening decentralisation to the lowest levels of the administrative structures, promoting stakeholder ownership through co-funding arrangements and ensuring that cross-cutting issues such as gender, natural resources management, HIV/AIDs and malaria control are addressed.

Most of the implementation frameworks for the PMA priority areas have now been designed. These include the National Agricultural Advisory Services (NAADS), the National Agricultural Research System (NARS), the Rural Micro-Finance Outreach Plan and the Marketing and Agro-processing Strategy (MAPS). However, of these programmes, only NAADS is currently operational. A key challenge to the ongoing

implementation of the PMA is to ensure that strategies for the priority areas are completed and implementation starts immediately and efficiently. Failure to have the PMA implemented as a package will place pressure on programmes which are already running, such as NAADS, especially with respect to the demands for delivery of credit and market information services. The PMA also needs a robust monitoring and evaluation framework to monitor its implementation and to ensure the sustainability of key activities.

A second key challenge for the success of the PMA relates to the empowerment of women in agriculture. Two recent reports, the Uganda Participatory Poverty Assessment report<sup>10</sup> and the Poverty and Social Impact Analysis of the Strategic Exports Programme<sup>11</sup>, show that women face a number of micro-level constraints to increasing cash crop production which arise from unequal gender relations. They have little spare time to spend in additional agricultural activity, because of the burden of their household tasks, and they have little incentive to increase cash crop production, because frequently they do not control income from crop sales, which is appropriated by male members of the household. Moreover, they often face difficulties in terms of their access to, and control over agricultural land. The PMA should address such issues, particularly by targeting agricultural advice and extension to women farmers as well as poor households, and by raising awareness of the need for improved female literacy as a part of agricultural modernisation.

### **1.5.3 The Strategic Exports Program**

As was noted earlier, the Government recognises that exports are the engine of growth because they provide both opportunities and incentives for exploiting comparative advantage, enhancing technological progress and reaping economies of scale, thereby generating rapid productivity growth. Export diversification also lessens the economy's vulnerability to exogenous shocks in its export markets. Over the past five years, export diversification has significantly contributed to Uganda's export performance, and non-traditional exports now earn more than cotton, tea, tobacco and coffee exports combined, accounting for 65% of all goods exports.

Whilst programs under the PMA are designed to develop the agricultural sector, further interventions are necessary to catalyse growth in certain strategic export areas. In September 2001, Government approved a programme for strategic intervention in the following sectors: Coffee, Cotton, Fish, Tea, Livestock, Horticulture, Irish potatoes and Information and Communications Technology (ICT). It also agreed to provide a conducive institutional arrangement for enhanced commodity trading and price risk management by investing in the establishment of a Warehouse Receipt System (WRS) and Agricultural Commodity Exchange (ACE).

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<sup>10</sup> Uganda Participatory Poverty Assessment Process (UPPAP) December 2002: National Report (Final Draft)

<sup>11</sup> Ex ante Poverty and Social Impact Analysis: Uganda Demonstration Exercise October 2002; Booth, ODI

Although the Strategic Exports Program has moved forward rapidly since 2001, its initial design lacked analytical rigor. In addition, the program's incentive structure is not transparent enough. Government needs to ensure that all interventions under the Strategic Exports Program are poverty focused, and that they take place within a well-defined framework that promotes the principle of private sector competition. Moreover, interventions under the Strategic Exports program need to be explicitly complementary to the PMA and MTCS. Government also needs to ensure that the Strategic Exports Program is appropriately monitored.

The recent Poverty and Social Impact Analysis of the Strategic Export's Program was a welcome step forward in terms of evaluating the potential poverty impacts of the programme. As outlined in the section above, the report indicated that greater priority needs to be given to targeting women farmers and poor households for the benefits of the Strategic Exports Program to be distributed equally. This work needs to be carried out in conjunction with work ongoing under the PMA.

#### **1.5.4 The Medium Term Competitive Strategy for the Private Sector (MTCS)**

The Medium Term Competitive Strategy for the Private Sector (MTCS) sets out a number of priority areas for private sector development, including reforms in infrastructure provision, financial strengthening, commercial justice reforms, institutional and regulatory reforms, removing current export-sector specific impediments, improving the business environment for small and medium enterprises, and trade issues. Financial sector and micro finance issues will be dealt with in following sections, whilst the rest of MTCS implementation is covered here.

Notable progress has been made in a number of areas falling under the remit of the MTCS:

- In the power sector, the reliability of mains supply electricity has improved considerably over the past two years, reducing the level of excess demand on the system, and the resulting load-shedding, which has historically been very disruptive to business<sup>12</sup>. Reliability has improved for two reasons. Firstly, three additional generating units have come on stream at the Owen Falls extension which has increased the amount of electricity generated from 180MW to 300MW. Secondly, the amount of distribution losses in the electricity system have been reduced by 25% over the past year, from 37% of system output to 27%, as the Uganda Electricity Board (UEB) has upgraded parts of the transmission system and embarked on a targeted campaign to reduce power theft (Operation Sigma). Separately, the Government has awarded a twenty year generating concession for the Jinja generating stations to a private sector company. A distribution concession is expected to be awarded later this financial year. Private sector management of electricity transmission and

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<sup>12</sup> UNCTAD 2000 – Investment Policy Review, Uganda

distribution is expected to significantly improve the efficiency of the mains power system in Uganda.

- In the Roads sector, the Road Sector Development Programme (RSDP) was subject to a mid-term review during 2001 and early 2002, as a result of which it has been updated (RSDP2) to ensure that the road network is maintained at an acceptable level of service. The updated Programme has three components; the national road network, the local road network and institutional development and capacity building. A number of studies are underway to guide the future development of the programme, including most notably the Transport Master Plan Study and the Ten-Year District Roads Improvement Programme.
- The Telecommunications sector, which is now fully privatised and liberalised, has expanded significantly over the past two years, particularly with respect to mobile phone usage. The number of telephone subscribers in Uganda has risen by 200% over the past two years, from 230,000 in 2000 to just under 500,000 at the start of this financial year. The increase has been driven by mobile telephones, where increased competition has brought down prices and new connections can be made instantly. Mobile phone users now account for 90% of all telephone users in Uganda. Uganda's teledensity, measured as the number of telephones per 1000 people, has more than doubled, from 1.07 telephones per 1000 people in 2000 to 2.25 telephones at the start of this financial year. The number of internet service providers in the country has also risen significantly, from 11 in 2000 to 17 at the start of the financial year.

More than 50% of the sub-counties now have access to the telecommunications network. However, it is widely recognised that rolling out the network to a number of the remaining sub-counties is unlikely to be considered commercially viable by communications providers. Consequently, a Universal Service Levy (USL) has begun to be levied on the turnover of the telecommunications and postal sectors to finance the Rural Communications Development Fund. The proceeds of the USL will be used to finance investment subsidies to private operators willing to take on service obligations in commercially non-viable rural areas. The objectives of the Fund are a sub-component of the Government's Rural Energy for Transformation scheme. Its main objectives are to provide at least one public telephone per 5,000 people at sub-county level, and to ensure internet access at every District headquarters.

- The Commercial Justice Reform Program has made significant progress in reforming Kampala's commercial court, and is turning its attention to overhauling the business registry and providing alternative mechanisms to the commercial courts up-country.
- In the area of deregulation/better regulation, Government, is working to streamline the regulatory burden placed on business by existing laws. The current burden of regulation acts as a disincentive to investment and inhibits



private sector growth<sup>13</sup>. The Government is also working on improving the efficiency of the existing regulatory processes for business. A pilot scheme to reform business licensing has been initiated and critical reforms to be implemented in the tax appeals process have been identified.

- A Commission of Enquiry was appointed to tackle corruption problems within the Uganda Revenue Authority and it has completed this work although a report and subsequent steps in terms of the way forward are still pending. In addition, reforms to modernize the operations of URA are on-going.

Despite the above satisfactory progress, it is notable that little or no progress has been made in the following key areas of the MTCS, such as rail transportation, which is key to reducing the cost of transportation to and from Mombasa Port, and the merger of Uganda Investment Authority, Uganda Export Promotion Board and Uganda Tourist Board, which is intended to streamline the services offered to investors and to sharpen Uganda's focus on export promotion. Moreover, the process of developing the trade policy development is only just starting, and co-ordination of Medium and Small Enterprise Development, particularly in the area of capacity building, is greatly lacking.

In addition, it is notable that certain key sectors of development such as Tourism and Rural Electrification are not given sufficient attention by policies on economic growth and transformation, even though Tourism is currently Uganda's single biggest export earner, accounting for 24% of total export earnings in 2001/2, and Rural Electrification is expected to raise the incomes of the poor, especially with respect to agro-processing. It is important that these programmes are focused on the joint MTCS/PMA/Strategic Exports framework so that they are implemented in a co-ordinated and consistent manner.

From the above discussion, it would appear that the implementation of the MTCS has somehow lacked a strong commitment and overall coordination of the various activities necessary for the full realisation of its objectives. The way forward is to avoid the piecemeal approach to its implementation which undermines coherence with other programmes such as the PMA and SEP.

At present, most available information on barriers to investment dates back to 2000. However, three separate investor surveys, including the Uganda Investment Authority's Investment Survey, are currently ongoing, and their results are due out in the next few months. Their findings will make a critical input into the PEAP revision, since they will illustrate how far MTCS implementation to date has gone towards reducing perceived barriers to investment, and will flag up the areas where more work is required. They will also give an indication as to whether Government's commitment to reducing corruption has translated into a better working environment for the private sector. Issues relating to the Government's work on improving governance and reducing corruption are covered in the next chapter of this report.

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<sup>13</sup> The Uganda Regulatory Cost Survey Report – October 2000, Ministry of Finance

### ***1.5.5 Developments in the Financial Sector***

There have been a number of significant developments in this area since 2000. Enhanced prudential supervision and the closure of insolvent financial banks has led to a significant improvement in the soundness of the banking sector over the past three years. The revised Financial Institutions Bill, which has been approved by Parliament, is expected to further enhance the regulation of the banking sector. It will bring Uganda's financial legislation in line with international best practices. It seeks to maintain a regulatory and supervisory framework that encourages innovation and efficient competition in financial services based on prudent risk taking and the avoidance of reckless bank management.

The privatisation of Uganda Commercial Bank Limited (UCBL) in February 2002 was also an important milestone for the banking sector. The resolution of this failed bank involved the sale of 80 percent shares of UCBL to Stanbic (U) Ltd, with an agreement that on completion of the merger process of the two banks, 20 percent of shares in the new bank will be floated for public purchase on the Uganda Securities Exchange (USE). The privatization of UCBL is expected to strengthen the bank's corporate governance, improve management and upgrade its technology. This will increase competition in the financial sector, which in turn is expected to lead to greater mobilisation of deposits and allocation of credit.

Several key indicators demonstrate the degree of improvement in the banking system since the banking crisis of 1999/00. The capital adequacy of the banking system, as measured by the proportion of total capital to risk-weighted assets, rose from 16% in June 2000 to 24% in 2002, whilst non-performing loans fell as a proportion of total private sector credit, from 12.4% in June 2000 to 3.6% in June 2002. However, private sector credit only grew by 14% over the two year period, as banks increased their investment in risk-free assets such as Treasury Bills and built up excess reserves instead of lending to the private sector.

Outstanding loans and advances to the private sector as categorized by economic sector show that the stock of credit grew by Shs 82bn from Shs 580bn billion in June 2000 to Shs 662 billion in June 2002.

**Table 1.4 : Distribution of Loans and Advances to the Private Sector.**

<b>SECTOR</b>	<b>June 2000</b>	<b>June 2002</b>	<b>Change</b>
Agriculture	10.3%	10.2%	- 0.1%
Manufacturing	31.2%	32.4%	+1.3%
Trade and other services	47.1%	46.5%	- 0.6%
Transport, Electricity & Water	6.3%	6.2%	- 0.1%
Building & Construction	4.8%	4.2%	- 0.6%
Mining and Quarrying	0.4%	0.4%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	

**Source: Bank of Uganda**

As at end June 2002, lending to the trade and services sector accounted for almost half of private sector credit. Within this sector, lending to importers was the single biggest item. The manufacturing sector accounted for a third of private sector credit, with lending to the foods, beverages and tobacco sector accounting for two thirds, while the size of agricultural lending was comparatively small, at 10%. This is partly because agricultural production in Uganda is mainly done by smallholder farmers who have difficulties in accessing formal credit, because they lack collateral. It is therefore, an area of concern that the agricultural sector, the backbone of the economy is starved of long-term financing. By contrast, agricultural lending is the single biggest recipient of micro finance lending.

Other forms of funding available to the private sector through the formal financial system are lease financing and credit from other non-bank financial institutions, both of which appear to have grown more rapidly than commercial bank lending over the past two years. The total volume of leasing activity in the banking system had reached Shs 15.8 billion as at end June 2002, while total private sector credit extended by non bank financial institutions was shs 64.7 bn, an increase of 29%.

In spite of these improvements, there are indications that the financial system is not meeting the needs of certain parts of the private sector. Anecdotal evidence suggests that the majority of the small and medium enterprises (SMEs) can't access commercial credit, either because of lack of collateral or poor loan proposals. On the other hand, commercial banks' short term lending arrangements can't be used to finance long-term investment plans. As a first step, the Bank of Uganda needs to produce a more detailed breakdown of commercial banks' private sector lending, by loan size, loan term and enterprise size, so that market gaps can be identified, and remedial action taken where appropriate. In addition, Government needs to expedite its plans for social security reform, in order to increase the mobilisation of long-term savings.

### **1.5.6 Micro Finance**

The provision of financial services to the poor, for micro and small-scale income generating activities, offers a major opportunity for poverty reduction. For this to be successful, however, it is vital that micro finance services reach rural areas, and that appropriate financial products are developed to enable the economically-active poor to access them.

Over the past five years, the Micro Finance Industry in Uganda has grown fairly rapidly, although at present it is hard to measure its outreach and sustainability. In order to encourage and consolidate the growth of the industry, it is important that a comprehensive policy framework is developed for the Micro Finance Industry to address its legal and regulatory environment, and capacity building. As a first step towards this objective, The Micro Finance Bill, which will regulate deposit-taking Micro Finance Institutions (MFIs), was passed by Parliament in November 2002. However, the Act will only allow MFIs that meet prudential requirements to mobilise deposits for on-lending, and will therefore only apply to the very largest MFIs. Furthermore, Government has approved a plan for Expanded Outreach of Sustainable Micro finance

Services. The plan, which will operate as a part of the PMA, will support the existing well-performing micro finance institutions to spread out their operations into presently under-serviced areas. The plan will also ensure that the capacities of the MFIs are developed in a manner that addresses the diverse needs of clients.

To develop a sound base for its work on developing a regulatory framework to cover the entire Micro Finance Industry, the Ministry of Finance conducted a survey of Micro Finance Institutions last financial year. A total of 1,340 institutions were visited. The results of the survey give an interesting insight into the form of the Micro Finance Industry in Uganda, and its outreach to marginalised and economically-disadvantaged members of society. The 1,340 institutions had just under 1 million members, of whom

55% were female. 85% of members were active savers, of whom 56% were female, whilst 35% per cent of members were active borrowers, of whom 69% were female. The total loan portfolio of the institutions amounted to Shs 86.5bn, and the average loan size was Shs 262,533. 40% of loans were for crop production, 29% were for services provision, and 24% were for animal husbandry. This data suggests that the Micro Finance Industry is currently playing a significant role in supporting small-scale agricultural development and enhancing the economic potential of women. However, more detail is required in certain areas, such as repayment rates by sex and loan size by sex. A more detailed analysis on micro-finance is in chapter 3.

### **1.5.7 Regional Integration**

Uganda's main focus over the past two years in terms of regional integration has been the revival of the East African Community (EAC), with Kenya and Tanzania. The Treaty for the establishment of the EAC was drawn up in 1999, and ratified in 2000. Since then, implementation of the diverse elements of the Treaty has progressed. The East African Customs Union (EACU) to be fully operational by November 2003, is central to the Community's common trade regime, which is based on the principle of free internal trade and common external tariffs. The Agreement has been reached so far on almost all aspects of the EAC's internal trade regime, including a common EAC competition policy, on which Uganda's draft competition law is based, anti-dumping provisions and a timetable for the elimination of internal tariffs. All internal tariffs are expected to be at 0% by 2008. Most aspects of the policy on common external tariffs have also been agreed upon, although the rate of the highest of the three agreed tariff bands and the treatment of certain sensitive products such as sugar and cigarettes is still under negotiation.

The institutional, legal and administrative structure for the EACU is expected to be developed in the course of the coming year. In addition to the EACU, the EAC also intends to build up its development strategy to boost the economic output of the Community through supply-side interventions, particularly in the areas of agriculture, energy and infrastructure.

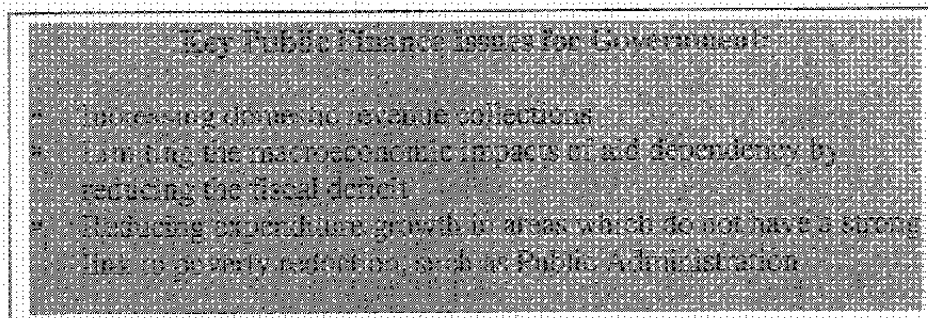
The creation of a free-trade area within East Africa should be of significant benefit to Uganda with respect to its drive to increase exports, though the extent of its potential is yet to be known. Nonetheless, Uganda still needs to build its national capacity to be able to negotiate within bigger trade areas such as COMESA, and understand fully the cost and benefits of participation. This work should be undertaken in conjunction with efforts to develop a domestic trade policy strategy which places emphasis on allocating resources to enhance internal capacities to respond to market signals.

## 1.6 Poverty focus of Public Expenditure

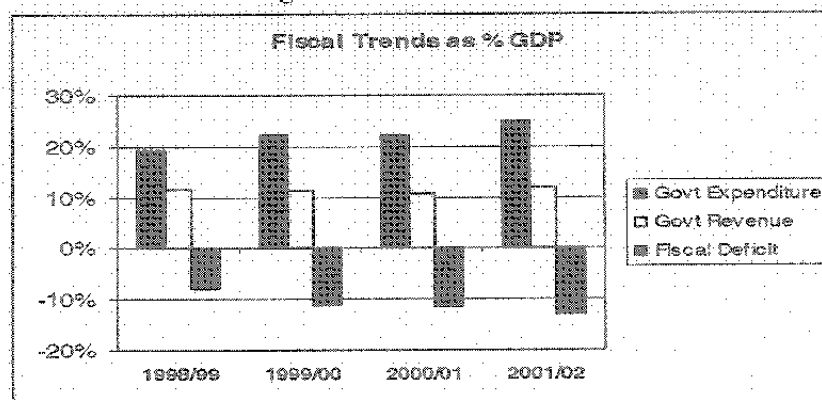
### 1.6.1. Overall Government Expenditure

Government expenditure has grown rapidly over the past four years, from 19.4% of GDP in 1998/99 to 24.9% of GDP in 2001/2. The rise in Government expenditure has not been as a result of budgetary indiscipline but as a result of planned increases in Government spending, particularly in the area of social services provision.

However, Government revenue collections have not kept pace with the increases in Government expenditure, as they grew by only 31% in nominal terms over the period. As a result, Government's fiscal deficit excluding donor grants has increased substantially, from 7.8% of GDP in 1998/99 to 12.8% of GDP in 2001/02, and Government's expenditure increases have been funded through increased donor aid. Donor aid increased from 9.1% of GDP in 1998/99 to 13% of GDP in 2001/02.



**Figure 1.3: Fiscal Trends**



Source: Ministry of Finance

The rapid increase in Government's donor-funded fiscal deficit, has raised concerns about Government's absorptive capacity and the efficiency of further rapid increases in public expenditures, as well as Uganda's current level of donor dependency. In spite of the increase in donor funding in absolute terms over the past four years, there have been persistent shortfalls in actual disbursements of budget support relative to donor commitments, illustrating the inherent unreliability of budgeting long-term expenditure increases on the basis of increased donor funding .

Government's concerns over the size of the donor-funded fiscal deficit also link to its concerns about the sustainability of Uganda's burden of external debt. Uganda was unable to service its extensive external debt obligations in the 1990s, in spite of its debt strategy of restricting new borrowings to highly concessional loans and its attempts to negotiate relief agreements with creditors. As a result of its macroeconomic track record, and its pro-poor policy framework, Uganda became the first country to qualify for the Highly Indebted Poor Countries (HIPC) debt relief initiative in 1998. The HIPC initiative has provided annual funding to the Poverty Action Fund (PAF) through savings on debt servicing since 1999, and the HIPC contribution to PAF currently averages \$80m per annum. However, Uganda has not fully realized the savings expected from HIPC initiative in full, on account of the refusal of certain creditors to participate, and its debt has also risen to 'unsustainable' levels as measured by the HIPC criteria on account of slow export growth. Consequently, Government wishes to restrict its new borrowings from donors, however concessional, to a level that is compatible with a reduction of its debt burden back down to a sustainable level over the medium term. Failure to do so would have serious consequences for the Government budget and macroeconomic variables such as the exchange rate in the longer-term.

## **1.6.2 Domestic Revenue Collections**

Domestic revenue collections have performed poorly over the past few years. Whilst they have increased in nominal terms, these increases have barely kept pace with the growth in nominal GDP, as collections have been adversely affected by weak tax administration. As a result, total domestic revenue collections amounted to 10.8% of GDP in 2000/01, as compared to 11.6% of GDP in 1997/98. Collection levels improved slightly in 2001/02, increasing to 12.1% of GDP, and they are projected to rise further to 12.8% of GDP in 2002/03. Nonetheless, the overall level of domestic revenue remains low, and as such, continues to be a significant constraint on Government's overall expenditure levels. This is a big challenge because it is an indication that poverty reduction activities cannot be sustained.

Government in part expects to meet its commitment to increase revenue levels through ongoing reforms in tax administration, though it may also need to widen the tax base. The ongoing reforms in the Uganda Revenue Authority (URA), which include implementation of a new business plan, computerization and a crack-down on corruption, are expected to increase tax revenue collections. In terms of non-tax revenue, the responsibility of collecting certain non tax revenues is gradually being transferred to

URA to improve efficiency, and all collections will be transferred to URA over the medium term. As a first step, collection of passport fees was transferred to URA last financial year, and was very successful; an outturn of 292% against the budget estimate was realized.

Concerns have also been raised about the low levels of local tax revenue collections, which grew by less than 5% per annum between 1998/99 and 2000/01, and on average funded less than 12% of District expenditures in 2000/01. At the same time, the most recent Uganda Participatory Poverty Assessment (UPPAP) report strongly suggests that the multiplicity of local taxes, levies, market dues and other charges levied by decentralized administrations are holding back the development of the non-farm rural economy, and that their collection methods are often harsh and inequitable. Government urgently needs to address this issue by reviewing local tax policies, ensuring that the burden of local government taxation on rural tax payers is appropriate, and that collection methods are both efficient and equitable. In addition, it also has to ensure that the measures in place have the potential to generate sufficient revenue to provide decentralized administrations with a degree of budgetary autonomy.

### **1.6.3 Budget Allocations**

The Medium Term Expenditure Framework (MTEF) and the Poverty Action Fund (PAF) guided the strategic allocation of resources in the government's budget over the period 2000/01 – 2002/03. PAF spending has risen substantially since 2001, and key sectors in the PEAP have received large increases in their budget allocations (see table 1.5 below). The fastest growing sectors in the MTEF over this period have been agriculture and health. Other sectors which have grown at a substantially higher rate than the average MTEF growth rate are Economic Functions & Social Services, which includes Lands & Environment and Social Development, Accountability, and Law & Order. The Roads & Work sector has grown at a relatively slow rate (10%) since 2000/01, following the end of some large investment projects. The education budget has also grown at less than the average rate in the MTEF, but it still remains the largest sector in the MTEF and receives sizeable increases in its budget year to year.

Budget allocations have also continued to direct an increasing amount of resources to poverty reducing expenditures in the Poverty Action Fund (PAF). The PAF has grown by almost 40% since FY 2000/01, rising from Shs 491bn in the 2000/01 budget to Shs 683bn in the 2002/03 budget.

## **The Budget Process**

The sectoral allocations of the Government of Uganda budget are set out in the Medium Term Expenditure Framework. These allocations are arrived at through a consultative budget process, which involves all key stakeholders.

The consultative budget process follows an annual timetable, partially determined by the requirements of the 2001 Budget Act. The process starts around October/November of each year, with the communication by the Ministry of Finance, Planning and Economic Development of indicative budget ceilings for each sector over the medium term. These ceilings guide the preparation of Budget Framework Papers (BFPs) by the Sector Working Groups, which bring together all stakeholders in each sector. The sectoral BFPs are discussed at ministerial level with the Ministry of Finance, to arrive at a National Budget Framework Paper. This is discussed and approved at Cabinet level, and it forms the basis of the Macroeconomic Plan and Indicative Budget Framework submitted to Parliament by April 1 of each year, as per the 2001 Budget Act. This document is also discussed with Development Partners at the annual Public Expenditure Review, which is typically held in May. After consultations with Parliament and with Development Partners, the final budget allocations are prepared and read out in the Budget Speech by June 15 of each year.

The consultative budget process has evolved over the past two years, becoming increasingly inclusive. This is largely due to the Budget Act 2001, which has enhanced the participation of Parliament in budget preparation. The Sector Working Groups have also been strengthened over recent years. Some sectors, such as the Justice, Law & Order one, have made considerable progress in the recent past in their ability to work effectively as a sector working group. Further progress is expected in a number of key sectors, such as Agriculture/PMA, Environment and Natural Resources, Social Development, Economic Services and Public Administration.

Notwithstanding the positive aggregate trends in budget allocations, there are some areas of concern with respect to allocations of public expenditures towards PEAP priorities. Most notably, the public administration sector has grown by 36% over the past two years, due to a number of factors such as the costs of foreign missions, higher operational expenditures by key political institutions, and the increase in the budget of the Parliamentary Commission. It is however important to note that some of the growth in the Public Administration is due to a rising pensions bill and a higher allocation to Uganda Revenue Authority to enhance its ability to collect revenues.

Since Government's expenditure is projected to grow at a slower rate than in the recent past over the medium term, it will become increasingly important for sectors to effectively prioritise their expenditures and enhance budget efficiency, in order to achieve the objectives of the PEAP.



**Table 1.5 : Sectoral Allocation of the Budget, FY 2000/01 – 2002/03**

SECTOR	FY 2000/01		FY 2001/02		FY 2002/03		Growth over period
	Shs Bn	% of total	Shs Bn	% of total	Shs Bn	% of total	
Security	209.8	13.9%	229.2	12.0%	261.7	12.9%	24.7%
Roads and Works	138.0	9.2%	170.2	8.9%	150.5	7.4%	9.0%
Agriculture	24.1	1.6%	49.1	2.6%	46.8	2.3%	93.9%
Education	403.8	26.8%	458.3	24.1%	505.2	24.8%	25.1%
Health	114.2	7.6%	170.1	8.9%	196.0	9.6%	71.6%
Water	36.4	2.4%	54.0	2.8%	48.7	2.4%	34.0%
Law and Order	94.5	6.3%	128.5	6.8%	142.2	7.0%	50.5%
Accountability	17.1	1.1%	22.8	1.2%	26.6	1.3%	55.8%
EF & SS *	95.4	6.3%	139.9	7.4%	149.7	7.4%	56.9%
Public Administration	264.9	17.6%	325.3	17.1%	361.2	17.8%	36.4%
Interest Payments	107.1	7.1%	155.1	8.2%	144.6	7.1%	35.0%
<b>Total MTEF **</b>	<b>1,517.8</b>		<b>1,918.7</b>		<b>2,037.6</b>		<b>34.2%</b>
<b>Total PAF ***</b>	<b>491.0</b>	<b>34.8%</b>	<b>624.8</b>	<b>35.4%</b>	<b>683.1</b>	<b>36.1%</b>	<b>39.1%</b>

\* Economic Functions and Social Services

\*\* Includes unallocated

\*\*\* Figures for PAF as % of total MTEF excludes interest payments

## 1.6.4 Budget Execution

The execution of the budget has broadly preserved sectoral allocations over the past two years. However, the budget was not fully implemented as planned, due to a combination of revenue shortfalls and requests for supplementary expenditures, most notably in the Public Administration sector.

Aggregate budget performance in both FY 2000/01 and FY 2001/02 was relatively close to 100%. However individual sector performances varied significantly, with some sectors which consistently deviate from their budgets (see table 1.6 below). In particular, the public administration sector has been above its budget over the past two years, by about 12-14%, claiming the lion's share of supplementary expenditures authorised by the Ministry of Finance. This confirms the trends of previous years, and shows that budget discipline is still lacking in this sector. The security sector has also been above its budget during FY 2001/02 and, especially, in the first half of FY 2002/03, due to higher than anticipated defence expenditures. These have been necessitated by the continued instability in the North, and have rendered budget execution particularly difficult to manage during FY 2002/03. As table 2 below shows, most sectors in the MTEF experienced large cuts in their non-PAF budgets in the first half of FY 2002/03, in order to release resources for higher defence expenditures.

**Table 1.6 : Budget Performance by Sector, FY 2000/01-2002/03 (1<sup>st</sup> Half).**

SECTOR	FY 2000/01		FY 2001/02		FY 2002/03 (1st Half)	
	Outturn	Performance*	Outturn	Performance*	Outturn**	Performance*
Security	208.4	99.4%	237.9	103.8%	154.7	118.2%
Roads and Works	127.8	92.6%	156.7	92.0%	61.2	81.4%
Agriculture	21.8	90.3%	42.4	86.4%	20.8	88.9%
Education	373.0	92.4%	455.8	99.5%	230.2	91.1%
Health	110.1	96.4%	162.9	95.8%	88.3	90.1%
Water	36.4	100.0%	49.0	90.8%	21.3	87.4%
Law and Order	97.7	103.4%	127.3	99.0%	61.8	86.9%
Accountability	16.3	95.4%	21.5	94.4%	11.8	88.9%
EF & SS ***	75.0	78.7%	122.4	87.5%	66.7	89.1%
Public Administration	301.6	113.9%	365.8	112.4%	185.3	102.6%
Interest Payments	127.6	119.1%	153.4	98.9%	78.1	108.0%
<b>Total MTEF</b>	<b>1,495.7</b>	<b>98.5%</b>	<b>1,895.0</b>	<b>98.8%</b>	<b>980.2</b>	<b>96.2%</b>
<i>Total PAF</i>	<i>440.2</i>	<i>89.7%</i>	<i>603.5</i>	<i>96.6%</i>	<i>308.3</i>	<i>90.3%</i>

\* Performance = Budget Releases/Approved Budget; FY 2002/03 performance is measured against 50% of the budget

\*\* Provisional figures

\*\*\* Economic Functions and Social Services

The performance of PAF expenditures was relatively low in FY 2000/01, at 89.7% of the budget, mainly due to delays in the recruitment of primary teachers and health workers. However, the recruitment problems have now been resolved and the budget performance of PAF expenditures has improved, reaching 97% in FY 2001/02. Government continues to maintain its commitment to protect PAF expenditures from any budget cuts arising from unforeseen expenditure pressures and/or revenue shortfalls.

The main challenge for budget execution in the next few years will be to contain the demands for supplementary expenditures by some institutions in the budget, most notably in Public Administration. The Public Finance and Accountability Bill, which was passed by Parliament in April 2003, is intended to limit the incidence of supplementaries, by requiring Parliamentary approval prior to the release of any supplementary funds. This should help to contain the over-expenditures of some sectors in the MTEF, and lead to a more balanced execution of the budget in line with PEAP priorities.

### **1.6.5 Regional Aspects of Budget Allocation**

A substantial and increasing share of government spending is taking place at the district level, in line with the government's policy of decentralisation. In FY 2001/02, transfers to local governments represented 32% of all government's budget expenditures. Over the past few years, transfers to local governments have also increased at a very high rate (45% during the period 2000-2002), largely reflecting the substantial increase in PAF spending over the period.

**Table 1.7. Local Government Transfers by Region, FY 2000/01 and FY 2001/02**

	2002 Population Mn	FY 2000/01		FY 2001/02	
		Budget Release Shs Bn	Per Capita Release Shs	Budget Release Shs Bn	Per Capita Release Shs
North	5.35	103.78	19,412	137.57	25,734
Centre	6.68	116.88	17,486	150.15	22,464
East	6.30	121.64	19,302	161.08	25,560
West	6.42	120.48	18,776	153.08	23,856
<b>TOTAL</b>	<b>24.75</b>	<b>462.78</b>	<b>18,699</b>	<b>601.89</b>	<b>24,320</b>

Table 1.7 shows budget releases by region during FY 2000/01 and 2001/02, and the per-capita release levels, using 2002 population figures. As the Table illustrates, the Northern and Eastern regions receive more resources per capita than the West and the Centre. This reflects the fact that several of the sectoral grants to the local governments are poverty-sensitive and allocate more resources to poorer districts, which are concentrated in the North and in the East. Most grants also have a geographical area weight, and a poverty index which favors the Northern region on account of its size and poverty situation. The share of resources going to the North will continue to increase so as to address problems of anti poverty.

### **1.6.6 Budget Efficiency and Output-Orientation**

The efficiency with which public resources are utilised is a key determinant of the extent to which government succeeds in achieving the targets of the PEAP. This will be particularly so over the medium term, given the lower rate of growth in public expenditure required to reduce the fiscal deficit. A major concern with the rapid growth in Government spending over the last few years is that this has driven up costs in key sectors, such as construction.

Several sectors are continuing in their efforts to monitor and improve their output-orientation and budget efficiency. The education and health sectors have taken the lead in making their activities output-oriented and commissioning expenditure tracking and benefit incidence studies.

The Education tracking studies of the capitation grant to primary schools (conducted in 1996, 1999, and 2001) have enabled the sector to identify and resolve bottlenecks in the flow of funds to the local governments. This has led to considerable improvement in recent years, and changes in the formula for the grants are also being implemented to improve allocative efficiency. Issues of value for money in the sector will be detailed out in chapter 2.

Similarly, the Health tracking study of 2001 identified several delays in financial disbursement to the districts, which are being addressed. The health sector also continues to monitor its key output indicators, and is channeling more resources to improve the performance of reproductive health, which has not been satisfactory over the past few years.

The water sector commissioned a value for money study in 2002, covering district water supply and sanitation programmes. This study raised a number of issues related to

procurement, financial irregularities and quality control, which the sector is currently seeking to address. An analysis of unit costs in this sector over the period 1997-2001 has also been carried out, to assess budget efficiency. This revealed a significant increase in unit costs in the sector, due to the use of more expensive water sources (e.g. boreholes). This has raised concerns of value for money in the sector which are being addressed as a follow-up to the 2002 study.

Further budget efficiency and value for money studies are currently planned in other key sectors of the budget, such as agriculture, roads and justice. The results of these studies will allow government to have a more systematic picture of the efficiency with which public resources are utilized. This will enable it to allocate funding more efficiently across sectors and take remedial actions where necessary. Early indications from the roads sector, for example, already show that its maintenance programme is highly susceptible to budget cuts, and that the maintenance requirements of the current capital investment programme have not been fully accounted for. Over time it will be important to broaden the scope of budget efficiency studies, and ensure that they include an assessment of the impact of public expenditure on output and, indirectly, outcome indicators (e.g. impact on the poor; distribution of benefits of public expenditure; productivity-enhancing effects of spending).

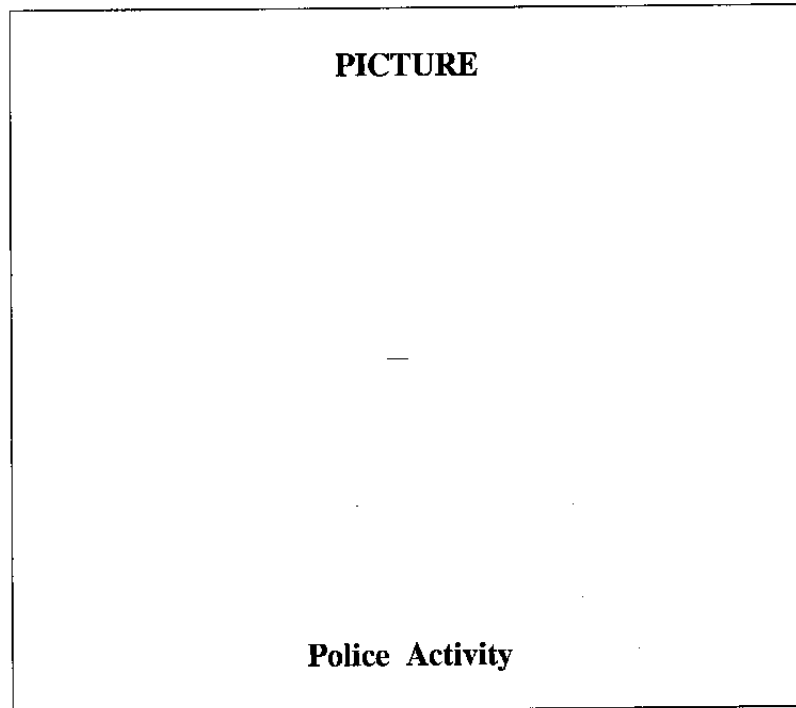
### **1.6.7 Future Policy Direction**

Economic performance has benefited from sound macroeconomic management over the past two years, but GDP growth remains below the PEAP target level of 7% per annum in real terms, and its impact upon the livelihoods of the poor and the quality of the environment is not well articulated. This means that various actions have to be taken to address this issue:

- Improve GDP performance by focusing attention on delivering coordinated and effective implementation of the ongoing programs to promote economic growth and transformation, namely the MTCS, the PMA and the Strategic Exports program. Where appropriate, the implementation of these programs should be based on a sound analysis of their likely poverty-reducing outcomes and their potential impact upon the environment.
- Ensure reduced pressure on the limited financial resources of the banking system and free up capital for private sector investment, which is essential for sustained GDP growth, by scaling back the fiscal deficit. This strategy will reduce appreciation pressures on the exchange rate and limit aid dependency.
- Continue to focus budgetary expenditures on complementary social services provision which will improve the capacity and opportunities of the poor to improve their productivity. In particular, greater efforts have to be made to keep budget expenditures in line with budget allocations, and to track the value for money efficiency of Government's programs and their social outcomes.

## **Chapter Two**

### **Strengthening Good Governance and Security**



#### **2.1 Introduction**

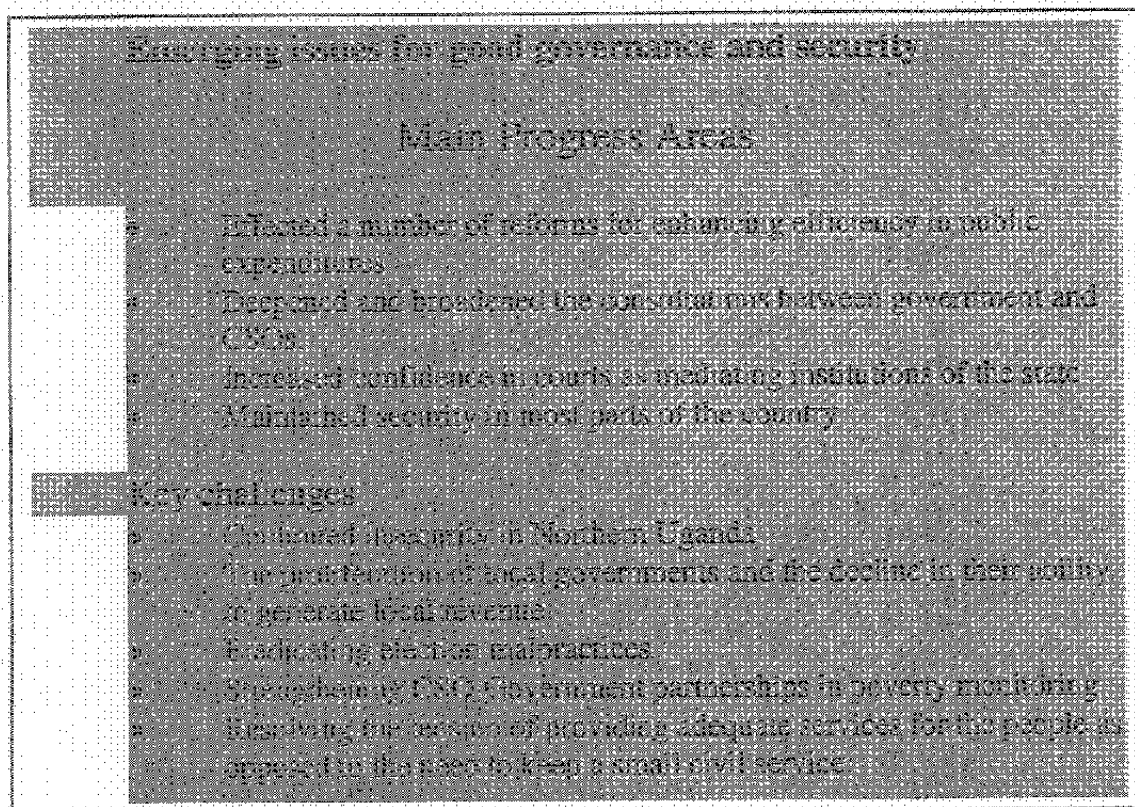
Improvements in macroeconomic performance per se will not automatically translate into poverty reduction unless sufficient attention is given to the administrative machinery, fiscal transfer mechanisms, the institutional and legal framework and issues of transparency and accountability in the public sector. It is also common knowledge that economic growth cannot take place in an environment that is insecure. These are the main reasons why Government is committed to governance issues, which are particularly critical in a decentralised framework. When consulted on issues of most immediate concern to them, the people identified personal insecurity, access to justice and good governance as being of great importance.<sup>14</sup> This chapter therefore examines the status of governance and security in the context of poverty eradication and the outstanding challenges. Good governance has been defined in the PEAP as ‘the efficient, effective and accountable exercise of political, administrative and management authority to achieve society’s objectives, including the welfare of the whole population, sustainable development, and personal freedom’. Implied in this definition is the fact that good governance is a process of decision-making and implementation.

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<sup>14</sup> MFPED, 2000b

Good governance has eight major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. Good governance assumes that corruption will be minimised, the views of the poor are taken into account and the voices of the vulnerable in society are heard in the decision-making process. It is imperative therefore that good governance is central to the attainment of all PEAP targets because it forms that context in which policies and programmes are implemented. The analysis of good governance in this report deals with the ways in which institutions affect the livelihoods of the population and how the population responds to institutional practices in the implementation of public policy.

The chapter has nine sections. Section one, reviews Security, peace and conflict resolution; while sections 2 – 4 explore issues of human rights, justice, law and order and democratisation. Sections 5 – 8 review decentralisation, public administration and service delivery, and community empowerment. The last section provides future policy directions.



## 2.2 Security, Peace and Conflict Resolution

Ensuring security among other things is essential for successful implementation of Government policies and programmes and is therefore an essential condition for poverty reduction. Provision of security encompasses dealing with any threat that would

undermine the basic rights, welfare and property of citizens, the territorial integrity of the state, and the functioning of governance systems. In view of this, the mission of the state is to preserve, defend and protect the people, property, the sovereignty and territorial integrity of Uganda and foster harmony between the security agencies and the civilian population.

### **2.2.1 The Security Situation**

Insecurity emerged in three broad categories: cattle rustling, rebel activity, and urban crime and terrorism. In response to these threats, Government pursued a three-pronged approach involving dialogue, enforcement by security agencies and enforcing the rule of law. This was in recognition that the country's security situation is influenced by a diverse range of factors and hence Government's initiatives to ensuring security needed to be multifaceted.

#### **a) Cattle Rustling**

From 2000 to date, the areas of Karamoja, Lango, Acholi, Teso, Kapchorwa and Bugisu continued to suffer cattle rustling by cattle raiders from Karamoja and the Turkana from Kenya. The raids, in many instances, led to loss of lives, violation of rights, increased poverty and overall destruction of the social and economic life of the affected communities. People were displaced from their villages into camps. The Uganda Human Rights Commission (UHRC) cites Katakwi and Kapchorwa districts as having been most affected by the raids with Katakwi registering up to 88,000 people in the various camps in the district. The problem of cattle rustling was attributed to the presence of illegal guns in the hands of the Karamojong, to be 40,000.

In a bid to check the rustling and halt gun trafficking on the Sudan and Kenya borders, Government embarked on a disarmament scheme. The objectives of the scheme were:

- To stop wrong elements among the armed Karamojong warriors from terrorising their neighbours within Uganda, Kenya and Sudan
- To stop inter-clan wars within Karamoja and the infiltration of arms.

The disarmament process that started in December 2001 was undertaken in two phases. The first phase entailed persuading the warriors to voluntarily surrender the weapons, while phase two was forced disarmament by the army. Phase one registered the highest level of compliance with over 6,500 guns being surrendered voluntarily by January 2002 following a UHRC-led sensitisation campaign which helped to allay some of the warriors' fears about the intentions of the exercise.

By mid September 2002, the exercise had yielded 9763 guns. Table 2.1 below shows the weapons collected between 2 December 2001 and 17 January 2002.

**Table 2.1: Weapons collected between 2 December 2001 and 17 January 2002**

District	County	As at 2 December 2001	As at 12 December 2001	As at 14 January 2002	As at 17 January 2002
Moroto	Bokora	1059	1163	1536	1560
	Matheniko	500	554	669	671
Nakapipirit	Chekwi	270	336	509	509
	Pian	0	409	575	582
	Pokot	101	106	348	352
Kotido	Dodoth	438	513	1252	1293
	Jie	360	623	1198	1240
	Labowor	100	319	358	386
<b>Sub-Totals</b>		<b>2828</b>	<b>4023</b>	<b>6445</b>	<b>6593</b>

Source: UHRC (2003) Annual Report 2001-2002

In view of the fact that close to 70 percent of the 9763 guns that had been collected by 20<sup>th</sup> September 2002 were received using the voluntary surrender approach, it would imply that the use of force has thus far been comparatively less effective in ridding the area of illegal guns. Greater effort therefore should be focused on helping those in possession of guns to appreciate the need to surrender their guns. Government extended the disarmament exercise in Karamoja to include neighbouring areas of Kapchorwa district. A total of 763 guns had been collected from people in Kapchorwa as of 20<sup>th</sup> September 2002.

Another development arising from the disarmament exercise was the establishment of support offices in the districts of Kotido, Moroto and Nakapipirit by the UHRC, which later became Civil Military Operation Centres (CMOCs). CMOCs serve to provide accountability for guns collected from sub-counties. Their staff include officials from the UPDF, human rights desk, public relations office and those assigned by political commissars. The main function of the centres is to:

- Coordinate with the district teams of civil society, local government and traditional leaders
- Act as harmonious points for civilians and UPDF forces
- Receive complaints against the military and take remedial actions
- Assist in any displacement due to the disarmament

Although a lot of efforts have gone into the disarmament exercise, it has been influenced by different interpretations of its objectives especially by the communities. In some communities the exercise is perceived as one that created conditions of vulnerability especially for those who had to surrender their guns before the neighbouring communities surrendered theirs. It is therefore necessary that these fears are allayed if the process is going to be effective. The Karamojong bitterly complained about the indiscriminate impounding of their animals, to which the President issued a directive in April 2002, for



it to be stopped. Other studies have called for the establishment of a long-term disarmament exercise with the active control of local leaders in the process.<sup>15</sup>

Other additional factors hampering the disarmament exercise and efforts to stop cattle raiding include:

- a) The continued cross-boarder raids against the Karamojong by warriors from bordering areas of Kenya.
- b) The inability to enforce law and order in Karamoja makes it difficult to ensure the timely arrest and prosecution of criminal offenders.
- c) The local's interpretation of the temporal ban of wearing a *suka* not to conceal a gun as a ban on traditional dressing.

## **b) Insurgency**

Government has approached the problem of rebel activities in the country using a combination of peace talks, military confrontation and legal provisions. On the peace talks front, Government initiated dialogue to establish good relations with neighbouring countries of Sudan and the Democratic Republic of Congo (DRC), from which rebels are suspected to have launched attacks. It reopened its diplomatic missions in the two countries and has continued to participate in the Lusaka Peace Accord initiative under the auspices of the UN.

The Peace Pact signed between the Government and the Uganda National Redemption Front (UNRF) II rebel group of West Nile resulted in the surrender of 2000 rebels in April 2000. In addition, another 5000 rebels had surrendered by July 2002 in response to an Amnesty Law provided by Government in January 2000 to end hostilities by forgiving and reconciling with the different rebel groups. According to the UHRC annual report (2001-2002) 3,641 of the 5000 ex-rebels had received their papers processed as of September 2002.

Peace negotiations with the Lord's Resistance Army Rebels, which commenced in July 2002, spearheaded by religious and political leaders. Government agreed to a cease-fire on condition that rebels cease kidnapping and attacking civilians and damaging of property. Patience was however being over-stretched on the part of Government by October 2002 given that rebels were not responding to the conditions of the ceasefire. These developments demonstrate a positive trend in Government's efforts to quell the rebellion in the North.

In addition to diplomatic means, Government has had to use its military arm, the Uganda Peoples Defence Forces (UPDF), to deter and subdue agents of insecurity. Over the review period, the army registered relative progress in the following key areas. It has been instrumental in the restoration of relative peace in the West and sustained efforts to

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<sup>15</sup> See University of Leeds (2001) *Conflict Prevention, Management and Resolution: Capacity Assessment Study for the IGAD Sub Region: Phase 2: Implementation* written by Frank Muhereza; Conflict, Disaster and Development Group, University of Leeds, Leeds

attain peace in the North. Its operations in the North have yielded enormous pressure on rebel groups of the Lord's Resistance Army (LRA). This was largely as a result of the protocol signed between the governments of Uganda and Sudan on 10<sup>th</sup> March 2002, allowing UPDF to mount limited operations into Sudan to comb out LRA bases in southern Sudan. The operation code named "Operation Iron Fist" has mostly involved counter insurgency operations that have made it possible for the army to clean up civilian areas of rebel infestations. As a result of the operation 6,000 people who were reportedly being held in LRA camps<sup>16</sup>, were rescued.

According to the UHRC, while the operation has succeeded in dislodging LRA from Southern Sudan and led to the capture of many guns and ammunition, it has left a toll in communities. The large number of rebels that crossed back into Uganda have increased the suffering of the ordinary people. UHRC estimates the terror and loss suffered by the people of Kigtum over the period June to September 2002 to be more than that suffered over the entire 2001, with close to 1000 people loosing their lives, including rebels, UPDF soldiers and civilians. Table 2.2 below presents a summary of the total casualties and losses arising from the Northern Insurgence for the years 2001 and 2002.

**Table 2.2: Summary of rebel activities and their impact on the population in 2001 and 2002**

	UPDF Dead	Rebels dead	Civilians Killed	Civilians rescued/released	Civilians injured	Civilians abducted
<b>2001</b>	40	60	98	264	125	52
<b>2002</b>	171	436	670	737	172	1775
<b>% increase</b>	327.5	626.67	583.67	197.17	37.6	3313.46

Source: UHRC (2002:58-63) 2001-2002 Annual Report

The above figures show a marked rise in the number of victims over a one-year period and pose a great concern over the likely socio-economic implications of continued rebel activity in the North. In recognition of this, Government is rallying all resources at its disposal to see to it that the rebellion in North is speedily brought to an end. The President has also been very instrumental in this area by camping in Gulu and staying and assuring the population that this war will end soon.

In the Rwenzori region, at the height of insurgency in 2000/01, a total of between 150,000 and 180,000 people had been displaced into 84 camps in the three Districts of Bundibugyo, Kabarole and Kasese. Security has, however, since improved in all three districts of the Rwenzori region, with several people in Kasese and Kabarole being able to return home.

As of 2002, Katakwi was the most affected district with a total IDP population estimate of 88,000<sup>17</sup>. Kapchorwa district on the other hand has about 5,000 IDPs and displacement has lately also occurred within Karamoja region.

A Recent study<sup>18</sup> involving a sample of 15 of the 84 camps then in the Rwenzori region, showed that the majority (43%) of IDPs perceived poor access to land as the main

<sup>16</sup> UHRC (2002:57) Annual Report 2001-2002

<sup>17</sup> UHRC (2003) 2001-2002 Annual Progress report

problem they face during displacement. On the other hand, (26%) regarded food as the leading problem, access to income and health ranked priority problems by 12% and 10% of the respondents respectively. The study notes that while these problems existed before, living in camps aggravated them. The study identified security (52%), lack of shelter, (25%) and reluctance to take a lead in returning home from camps (6%) as the major constraints to the IDPs desire to return to their homes.

Furthermore, in addition to the above threats, Government recognises that the country could face many other threats in the foreseeable future, some external in nature primarily resulting from instability along its borders, others from internal problems such as banditry. In view of this, Government is preparing a Defence Policy aimed at providing policy guidance in determining military capability as well as to plan its implementation. The policy spells out what the UPDF should seek to achieve in form of five defence missions, how they should achieve it through nine clear modernisation themes, and the respective responsibilities of the different arms of the UPDF.

In line with the above objective, UPDF has, in its pursuit to professionalise the army, continued with training, promotions and purchase of modern equipment. The airforce was able to put back some aircraft into operation. These measures are important to make the army more combat effective. Development partners have also provided resources for technical assistance in the furtherance of a comprehensive defence review.

Furthermore, the army has implemented the Commitment Control System (CCS) in line with government's efforts to make public expenditure more efficient. External Security Organisation has also computerised up to 95% of its records and payment system and the Military Tender Board has been given the necessary training.

### **c) Terrorism and Organised Crime**

In addition to the above security problems, the country also experienced a continuation of terrorist activities and organised crime that began way back in 1999. Given the comparatively new nature of this type of insecurity and the inability of the police to handle them effectively, Government adopted new and innovative responses in dealing with the problem by constituting a para military security agency code named 'Operation Wembley', on 25<sup>th</sup> June 2002. A detailed discussion of the operation is covered under section 2.3 of the report, on human rights.

Government has also pursued the use of new legislation to curb agents and minimise sources of insecurity. In 2002, the Anti-terrorism Act (2002) was adopted by Parliament in response to the need for a law to control and eliminate terrorism.

### **The following are among the major challenges for the security sector.**

The continuation of the insurgency in Northern Uganda is still an area of critical

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<sup>18</sup> Kyaddondo et al (2002) The challenges and hopes for protection and resettlement of internally displaced people in the Rwenzori Region

concern. The number of persons who are displaced by the insurgency is rising due to the recent sporadic attacks by Kony. As will be noted in chapter 3, this is a major cause of increasing poverty in the region. People within the displaced camps also lack the necessary humanitarian aid that can support them in these situations of extreme vulnerability. Although a number of efforts are underway under the Office of the Prime Minister and a number of NGOs, there is still a lot that needs to be availed to the communities in conflict areas.

Community social support systems of both the IDP host communities and IDPs' original communities are either over-stressed or have broken down making the poor more vulnerable to shocks. In addition, households are faced with a situation of increasing food insecurity as a result of land degradation from population pressure and the changes in whether patterns.

Districts are presently incapacitated to handle the resettlement process. Some local leaders are allegedly using the insurgency for their own selfish political gains.

The resources required to counter all the insurgency in Uganda are sizeable and the security sector still lacks funding for all their activities, both the administrative and the operational activities. The security sector has also identified the lack of a National Security Policy as a key constraint in the sector.

The above challenges make the case for accelerated restoration of security a critical priority for Uganda's achievement of its poverty eradication targets.

### **2.2.2 The Refugee Problem in Uganda**

Uganda has hosted refugees since the 1950s. In 1995 the numbers of registered refugees reached a peak of over 400,000 with a majority from Southern Sudan. At present figures reach some 190,000 most of them are refugees from Sudan, but there are other substantial groups coming from DR Congo, Rwanda and a number of other neighbouring countries. The most affected region is the North, hosting over 2/3 of the refugee population. The rest of the refugees are hosted in the West and South Western parts of the country. Most refugees flee their countries due to armed conflicts and abuse of human rights in their respective countries. Due to the prevailing volatile situation in the neighbouring countries, the country is likely to receive higher numbers of refugees. There is therefore a need to prepare for such influxes and to undertake efforts to support regional efforts to strengthen good governance.

It is important to note that the vast majority of refugees are of rural origin, in most cases coming from very poor and marginalized war-affected areas. But even the little they may have possessed usually is lost during the flight. Refugee population statistics show that a majority of refugees are women, children and the elderly, a substantial number are physically and mentally handicapped due to the effects and traumas of war which indicates the vulnerability of these groups. Consequently the majority of refugees belong to the poorest of the poor who have settled in the rural areas that are poverty-stricken as well.

The refugee situation is a key concern in poverty eradication due to the high numbers and the impact they may have on the host populations in terms of economic and social development.

The presence of such large numbers of people in a given region can cause serious ecological consequences, if sustainable settlement strategies are not implemented early enough to reduce environmental damage. In some settlements there is a problem of deforestation, and fuel wood has become a problem to the community. Depletion or degradation of the natural resources has also become common, for example water has become scarce, in some settlements with the reduced water table. There is strain on social amenities in the districts hosting refugees. Health services, education, land, roads, and all other services may be over stretched in refugee-inhabited areas unless necessary complementary investments are made. Shortage of local food supplies is also likely to occur as a result of refugee influx, and there may be an increased competition for scarce employment opportunities

There are, however, also positive impacts of the presence of refugees in a host region provided a conducive policy is in place, which assures that the local population can share the benefits, which refugee assistance may bring along such as, the building of schools, health units, roads and other infrastructure. If such investments are properly planned they may considerably contribute to the development of the host region. Furthermore the presence of refugees may spark the economic development in the region by providing additional market outlets and economic opportunities for both refugees and local population, and refugees may also bring helpful innovative skills or practices to the region.

### **Refugee Policy in Uganda**

The refugee policy endeavours to assure the welfare and protection of refugees within the framework of international laws and standards while safeguarding local and national interests. A new draft Refugee Bill has been developed reflecting these two main objectives, which should replace the existing and outdated law. It will be tabled to Cabinet and Parliament in 2003.

The new refugee policy aims at improving the well being of refugees and that of the host community. Though refugees receive donor support through UNHCR, there is a shift aimed at integrating refugee services within the district development plan, since refugees live together with the local communities and share the same services. A *Self-Reliance Strategy* (SRS) has been introduced, which aims at integrating refugee programs into the district development plans, to avoid parallel structures that have been in place and to allow maximum benefit of the investments in the social sector for both refugees and nationals alike. The SRS's second major aim is to foster the capacity of refugees to sustain them by allowing them to cultivate land, grow crops and to generate food and income in order to make them self-reliant.

Despite the introduction of the above policy, there is still a long way to go. Such a policy differs from traditional approaches of spoon-feeding refugees and it requires attitude changes from all parties involved. Some of the host communities still need continued sensitisation on the policy. Capacity of the affected local governments also needs to be built, to handle the extra burden added to them in terms of service delivery. The capacity of the refugees themselves must be built and strengthened in terms of skills, education and agriculture, to also enable them sustain themselves, as the policy requires.

### **Key Challenges and Constraints**

The main challenges and constraints in implementing the above-described refugee policy include the following:

- The SRS is a long-term development-oriented policy, which requires time and a professional approach to be successful. Only if it becomes part of the national and regional development plans can it be successful.
- The SRS requires funding in order for it to succeed. This is particularly urgent in view of a significant decline in UNHCR financial resources and support.
- UNHCR's mandate does not cater for medium and long-term development programs. There is a risk that Uganda is left "alone" with the burden of refugees unless ways and means are developed to turn refugee assistance into development programs.
- There is donor fatigue with regard to refugees, which can be circumvented by implementing a policy, which leads refugees to a high degree of self-reliance and thus reduces their dependency on outside resources.

Refugee assistance needs to be transformed into programs, which promote the development of the host communities, thus contributing to an improvement of the poor host population and the refugees alike. Such a policy will consequently promote development and contribute to poverty reduction rather than maintaining situations of dependency.

### **2.3 Human Rights**

The Uganda Human Rights Commission (UHRC) commission is mandated to: receive, investigate and handle complaints and conduct tribunal hearing on difficult complaints; visit places of detention, including police cells, prisons and remand homes; carry out civic education to create awareness of and respect for the Constitution and human rights. The UHRC works through, among, other activities, seminars, workshops and conferences; and monitors government's compliance with international human rights treaties and conventions by reviewing Bills to Parliament and issuing periodic reports<sup>19</sup>.

The UHRC investigations of violations of rights are either on its own initiative or in response to a complaint by an individual or group of persons. Until March 2002 when

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<sup>19</sup> UHRC Annual Report (2001-2002)

two new regional offices were established in Mbarara and Fort Portal districts, the commission had three regional offices located in Gulu, Kampala and Soroti districts. The new offices were established to improve upon public access to the commission's services as well to ensure fair spread of its service coverage.

During the review period, the commission received a total of 1227 complaints in 2001 and 699 between January and September 2002. Table 2.3 below presents a breakdown of the complaints received by the commission by regional office.

**Table 2.3: Complaints received by UHRC regional offices**

YEAR	TOTAL NO OF COMPLIANTS RECEIVED	NO OF CASES PER REGIONAL OFFICE
2001	1227	Kampala: 669
		Soroti: 280
		Gulu: 278
Jan-Sept. 2002	669	Kampala: 301
		Soroti: 170
		Gulu: 198
	By end June 2002	Mbarara: 46
		Fort Portal: 23

Source: UHRC 2001-2002 Annual Report

Of the 1227 complaints received by the commission in 2001, those related to freedom of liberty ranked highest (23%) followed by those related to maintenance (19%), torture (17%), property (16%), remuneration (14%) and fair hearing (10%). The complaint pattern witnessed slight variations during the first half of the year 2002 with freedom of liberty still ranking highest (20%) followed by maintenance (17%), torture (14%), property (17%), remuneration (23%) and fair hearing (9%). These trends could either suggest a relative high level of violation of citizens' freedom of liberty or a high awareness of the right to liberty amongst the citizens. Tables 1 and 2 in the annex present a summary of the six human rights areas with the highest number of complaints during the years 2001 and 2002 respectively.

In a new development, UHRC has reviewed its complaint process to distinguish between complaints and lodgements in order to be able to present a clearer picture on the status of human rights in the country. All complaints are therefore now received as lodgements and only those that allege a violation of any rights as spelt out by Article 4 of the Constitution are then registered as complaints.

In addition, the UHRC Tribunal, which is one of the main avenues through which human rights complaints are resolved, registered a sharp increase in the rate of case disposal over the period 1998 to 2002. The number of cases disposed by the tribunal rose from a total of 9 over the period 1998 to 2000, to 23 in the period January 2001 – September 2003, with the length of hearings also decreasing.

According to the UHRC, from the nature of complaints registered, there is a clear and worrying pattern emerging in which Government officials act with impunity knowing

that they will not be held personally liable for their acts or omissions that violate rights. This, if unchecked, will increasingly cost Government colossal sums of money in form of expenses on court case settlements and, therefore, deviating resources away from poverty focused expenditures.

### **2.3.1 Suspects**

Uganda Police is noted as being one of the main respondents in the complaints lodged in UHRC. A total of 69 complaints against the police were handled by UHRC over the period January 2001 and June 2002. From its visits to police stations and posts, UHRC noted violations of human rights including long detentions exceeding 48-hour rule with the majority occurring in central region police stations such as Central and Kiira Police Stations.

Conditions in police cells also remain unfavourable for detained persons. According to UHRC, while police officers are increasingly aware of the rules and regulations protecting rights of detained persons, their ability to correctly discharge their duties remains constrained by factors such as interference by some politicians and members of other security organs, irregular court sessions and inadequate transport.

### **2.3.2 Prisoners**

The conditions of prisoners in central government prisons and respect for their human rights also registered improvement over the review period. The situation has however worsened in most local administration prisons with officials having limited awareness of prisoners' rights, some prisons accommodating double their capacity, water and sanitation infrastructure in a dilapidated or non-existent state, prisoners lacking medical care, adequate meals and clothing, and torture still standing as a big problem. The contrast in the situation between central government and local governments' prisons is attributed to the continued lack of clarity on whether the management of local administration prisons is a local government or central government responsibility.

According to UHRC, prisoners are also subjected to walking long distances to and from their work on private firms or shambas where they are hired out for labour to wealthy organisations in return for food and money. UHRC argues that while in theory the proceeds from such work are expected to benefit prison inmates, in practice they do not because the proceeds are taken by prison authorities, who do not use it to improve prisoner welfare. In some prisons, UHRC found out that inmates work seven days a week with no day of rest.

### **2.3.3 Detainees by the Military**

Suspects held on treason and armed robbery are detained by the military. According to UHRC, their arrest was unconstitutional and violated human rights. Because of the uncoordinated nature of activities of the paramilitary agency, UHRC argues that many suspects arrested were brought before a Court Martial that was not yet constituted and



were, as a result, subjected to detention for over 48 hours within which a suspect should have been brought before a competent court of law and charged according to the law. It also cited the risk of collateral injury, death, and mistaken identity in shooting incidences as an issue of real concern in the operations of the agency.

According to UHRC, while the operation was by and large successful in reducing organised crime commonly characterised by armed robberies and murders as explained by its popularity amongst the public, its modus operandi contravened the Constitution and therefore a threat to Uganda's process of building constitutionalism.

Inspections of army detention centres, though starting to register success, have also by far not been possible because of an army requirement that it should be notified in advance of any such inspection, a condition which defeats the essence of surprise inspection visits.

### **2.3.4 Workers' Rights**

Uganda is a signatory to the International Covenant on Economic, Social and Cultural Rights which stipulates rights at work and requires all countries to recognise the right of every one to the enjoyment of a just and favourable conditions of work. Favourable conditions of work include fair wages and equal wages for work of equal value without distinction of any kind, and safe and healthy working conditions. Uganda's compliance with these requirements continues, however, to be unsatisfactory.

According to the UHRC 2000-2001 annual report, safety and welfare of workers against occupational calamities and diseases is rarely respected. Some employers are noted to deny their workers gloves, headgear and facemasks and as a result, some workers have developed diseases related to cancer and HIV/AIDS. As a means of curbing the abuse of rights at work, UHRC calls upon government to repeal all labour laws that do not conform with the Constitution and ratify those ILO Conventions that enhance the rights of workers.<sup>20</sup>

### **2.3.5 Challenges**

- Reducing the emerging and worrying pattern in which some Government officials act with impunity knowing that they will not be held personally liable for their acts or omissions that violate rights.
- Maintaining a balance between reducing organised armed robbery while adopting a modus operandi, which does not pose a threat to Uganda's efforts of building a culture of constitutionalism.
- Ensuring that investors provide favourable conditions of work to their employees which reflect investors compliance to the provisions of the Constitution of Uganda and Uganda's compliance with International Covenant on Economic, Social and Cultural Rights.

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<sup>20</sup> UHRC (2002) *Your Rights Magazine*, Vol.V, No.3 August 2002, pp.19

- Expansion of the civic education activities to ensure the people have knowledge of their rights and freedoms.
- Repealing all laws that are inconsistent with Uganda's Constitution or do not comply with international obligations

## 2.4 Justice, Law and Order

The Poverty Eradication Action Plan (PEAP) identifies the policy commitments in the Justice Law and Order Sector with specific regard to criminal and commercial justice reform. The challenges identified include prison congestion, inefficiency and high costs in case administration, and limited access to justice particularly for vulnerable groups such as women and juveniles. In the context of commercial justice barriers to commercial activity include a complex regulatory framework, inefficiency of commercial registries and limited access to efficient commercial dispute resolution mechanisms such as the courts and ADR services.

The Sector **mission** is to “*enable all persons in Uganda to live in a safe and just society*”. The expected **outcome** of the JLOS reform strategy is the improved safety of the person, security of property and access to justice that ensures a strong economic environment to encourage private sector development and benefits poor and vulnerable people. Within this context the sector strategic investment plan focuses on Access to Justice, Efficiency and Effectiveness and Quality of Justice to address the policy commitments identified in the PEAP.

The Key Policy Actions in the reform process are:

Criminal Justice Reform	Commercial Justice Reform
<b>Access to Justice</b> <ul style="list-style-type: none"> <li>• Improved Operations and Infrastructure</li> <li>• De-concentration of Justice Services</li> <li>• Rationalized human resource recruitment and distribution</li> </ul>	<b>Access to Justice</b> <ul style="list-style-type: none"> <li>• Commercial Court Customer Service Strategy</li> <li>• Promoting Alternative Dispute Resolution</li> </ul>
<b>Efficiency and Effectiveness</b> <ul style="list-style-type: none"> <li>• Lowering the costs of the administration of justice</li> <li>• Increased case throughput</li> <li>• Lowering the crime rate</li> <li>• Decongestion of prisons</li> </ul>	<b>Efficiency and Effectiveness</b> <ul style="list-style-type: none"> <li>• Case Backlog Clearance</li> <li>• Computerization of Commercial Registries</li> </ul>
<b>Quality of Justice</b> <ul style="list-style-type: none"> <li>• Enhancing legal literacy</li> <li>• Reform of Criminal Laws</li> </ul>	<b>Quality of Justice</b> <ul style="list-style-type: none"> <li>• Reform of Commercial Laws</li> <li>• Strengthening the Legal Profession</li> </ul>

### 2.4.1 Criminal Justice Reform

Empirical evidence from the Criminal Justice Baseline Survey (JLOS, April 2003) indicates that physical access, as well as access through legal literacy, is hindered, especially for the poor. The JLOS “Voices of the Poor” Participatory Poverty Assessment

(JLOS, November 2001) also indicates that access is hampered by the inequitable distribution of service delivery agencies across the country, high costs of services and antiquated laws.

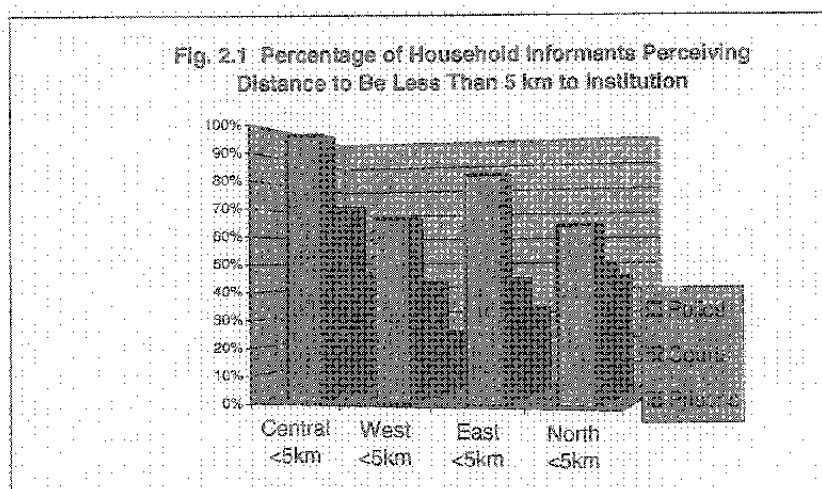
## Access to Justice

### *Improved Operations and Infrastructure*

In terms of operations and infrastructure, while the Judiciary has good coverage of the country, other institutions such as the Directorate of Public Prosecutions have much more limited coverage. In nine (9) districts, the Uganda Police Force (UPF) lacks adequate communication equipment, while only 29 of 46 prisons have transport. Prisoners walk distances of up to 15 kms to attend court, and often do not arrive at all. The inequity in service levels limits the successful completion of court cases, and the proliferation of new districts, in the absence of JLOS institutions has also exacerbated the problem. (See Figure 2.1 below)

### *De-concentration of Justice Services*

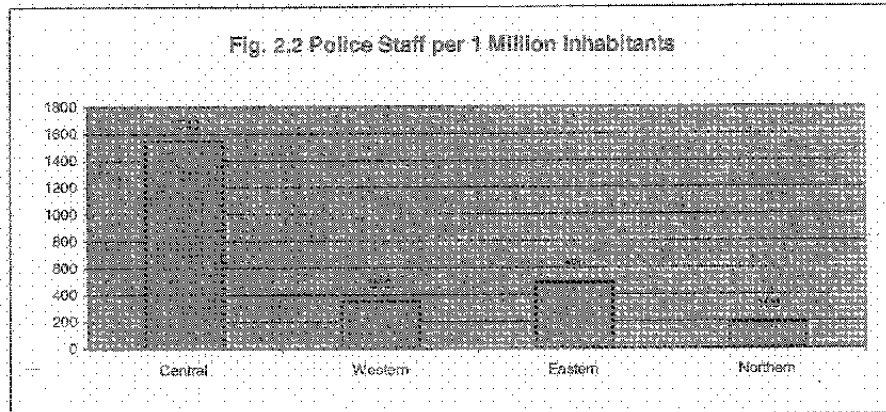
The Sector has embarked on a “de-concentration of services” programme with emphasis on rationalizing the establishment of sector institutions to ensure that the process of administration of justice increases efficiency from “entry to exit”.



Particular regard has been given to the Northern region, which given a lengthy period of civil strife experiences the lowest distribution of service providers, particularly for the Uganda Police Force (See Figure 2.2 below). Focus has also been directed to the Karamoja region to address the culturally specific nature of the region, with more flexible court sessions in terms of frequency and location to enable quicker resolution of cases.

### *Rationalized Human Resource Recruitment and Distribution*

De-concentration of services also requires a distribution of human resources informed by the trends in crime, as well as population ratios. In terms of the Police Force the ratio is 1 police officer per 1,899 persons against the ideal of one (1) officer per eight hundred (800) persons. For the Prison Service, international standards set an ideal ratio of one (1) warder per three (3) prisoners with the current standing at one (1) warder for nine (9) prisoners.



The Sector has prioritized the phased recruitment of staff to achieve the ideal ratios in the long term, and to increase access through faster case investigation, prosecution and adjudication; and to achieve increased national geographical coverage in the medium-term. Progress to date includes recruitment of 500 Prison Warders/Wardresses and 500 Police officers per annum. In addition, the Judiciary is to recruit 26 Grade I magistrates per annum, with the Directorate of Public Prosecution recruiting 60 State Attorneys per annum.

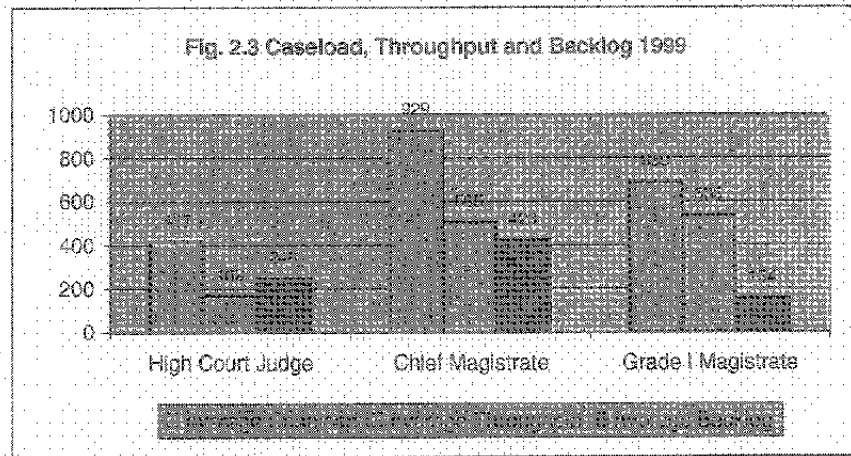
### *Efficiency and Effectiveness*

Efficiency and effectiveness are to be achieved by lowering the costs of the "administration of justice", and decreasing the inflow of cases into the justice system through crime prevention strategies. The Criminal Justice Baseline Survey established that the poor, women in particular, face a financial barrier to accessing justice services. The Sector notes that a financial barrier to accessing justice cannot be completely removed for "the poorest of the poor" but has developed a number of initiatives to decrease the cost of administration of justice.

### *Lowering the Cost of the Administration of Justice*

While the lower courts receive a significantly lower budgetary allocation than the higher courts, the case throughput for Judges at the High Court and higher levels is much lower than that of the lower courts such as Magistrates Courts and Local Council Courts (See Figure 2.3 below). While the complexity of cases at higher court levels contributes to delays, increased pecuniary and criminal jurisdiction to the courts with higher case

throughput shall limit growth of the case backlog, and allow for quicker disposal of cases; thereby reducing the cost of administering justice.



Another initiative is to reduce time spent on remand. 60% of the 17,500 prisoners in Uganda are on remand (Uganda Prison Service, December 2002). The cost of feeding one prisoner for a year amounts to approximately UG. Shs. 750,000. Time spent on remand also constitutes time spent away from income generating activities which has negative impact particularly for the poor. Thus reducing the overall number of remand prisoners, in addition to the time spent on remand is a critical issue.

With defined and monitored case completion targets the remand period has been reduced from an average of five (5) years for capital cases to two (2) years. The overall number of prisoners on remand, however, remains constant, due to the increased crime rate, and increased efficiency in investigation of criminal activities.

The *Chain Linked Initiative* first piloted in Masaka District, and *Case Backlog Project*, have now been "rolled-out" to six high court stations and to 29 magisterial areas. "Best practice" guidelines have been issued, which include a limitation on the number of adjournments, set targets for case completion, hearing of matters on a day to day basis and cross-institutional consultation in the scheduling of cases. Evidence suggests that the coordination of case scheduling has beneficial effects with regard to efficiency with witnesses assured of cases being heard upon first appearance and accused persons receiving "speedy trials".

#### *Lowering the Crime Rate*

With regard to effectiveness, the baseline survey has shown that crime in Uganda is on the increase. The prisoner to population ratio has increased from 30 people per 100,000 in the 1920's to 101 per 100,000 as per year 2000. This fact emphasizes the need for increased investment in crime prevention strategies and strengthened civic and legal education. Community policing and partnership with Civil Society Legal Aid and Education service providers are amongst the on-going interventions aimed at limiting growth in the crime rate.

## Quality of Justice

Studies have shown that for quality of justice particularly for vulnerable groups, such as the poor and women, there is a decided preference for local government structures in the form of Local Council Courts for the settling of disputes. In this regard, the Local Council Courts have a good distribution countrywide with stakeholders surveyed suggesting that they are “everywhere”. While physical access is enabled through the Local Council Court system, there remains concern with regard to the issue of legal literacy and the quality of justice administered in this arena.

### *Legal Literacy*

Both the PPA and Baseline Surveys illustrated a low awareness of legal rights and obligations by the general populace and the poor in particular. Although Local Council Courts tended to be the court of first instance, even where there was lack of jurisdiction in the matter, the rights of women and juveniles tended to be abrogated either through lack of understanding of legal provisions or the precedence of cultural norms.

The Ministry of Local Government has now developed a comprehensive training manual for Local Council Courts to improve adjudication of cases through performance standards and guidelines, as well as familiarization with key governing legislation.

### *Legislative Reform*

Given the clear preference by the poor to seek dispute resolution at Local Council level, the Sector has taken action to institute quality assurance measures through a *Local Council Courts’ Bill*. The coming in place of the *Community Service Act, 2000* has also had positive impact in terms of the quality of justice for the poor. The baseline survey illustrated a high level of support for community sentences that allow prisoners to serve time through performance of community work on a *pro bono* basis. Community service sentences enable offenders to continue looking after their families while serving sentences, to develop the community at little expense and an avoidance of turning petty offenders into hardcore criminals while incarcerated.

Since the passage of **defilement legislation** in 1990, there has been a steady increase in the number of accused and convicts. The Uganda Prison Service<sup>21</sup> reports that of the 10,901 prisoners on remand, 50% are held on defilement charges. While it has been decided that the offense shall remain on the law books, a gradation of the offence and a lower maximum sentence has been proposed to both alleviate prison congestion and to take cognizance of cultural norms.

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<sup>21</sup> Uganda Prison Service Statistics for December 2002

## 2.4.2 Commercial Justice Reform

As was noted in chapter 1, the Commercial Justice Reform Programme is a key component of Uganda's *Medium-term Competitiveness Strategy* with a focus on improving the regulatory and service delivery framework for businesses in Uganda. The Commercial Justice Baseline Survey<sup>22</sup> illustrated key constraints and highlighted the negative impact of poor services on private sector development.

The survey also established that the vast majority of enterprises in Uganda are micro-level with an estimated 800,000 enterprises employing approximately 90% of the total non-farm economy. With regard to the informal sector, only 10% had a commercial dispute in the past three years, of which 71% of those sought resolution in a court or official forum.

Of businesses surveyed 70% perceived the commercial justice system to be expensive, slow and corrupt, with 60% adding that their businesses would prove more profitable, by at least 5%, if the system was improved. The need for efficient and effective commercial dispute resolution mechanisms was also demonstrated with approximately 50% of businesses interviewed having had a serious commercial dispute in the past three years, and nearly 90% having sought resolution in a court or other official forum.

The vast majority of enterprises in Uganda are micro-level employing approximately 90% of the total non-farm economy. Women are important participants in these micro enterprises with an estimated 45% of such businesses headed or owned by them. Given the prevalence of micro businesses in Uganda, it is clear that the malfunctioning of the commercial justice system has a more severe impact on them than on large firms. Large firms have a comparative advantage given their monopoly position as suppliers or purchasers, better absorption of bad debts, better placement to use harassment to enforce contracts and a tendency to be more aware of legal rights.

The key areas for reform in the commercial justice programme include Courts and promotion of Alternative Dispute Resolution mechanisms, Commercial Registries law reform and strengthening the Legal Profession.

### Access to Justice

#### *Commercial Customer Service Strategy*

The Commercial Court, established as a separate division of the High Court in 1996, has developed a customer service strategy to address constraints substantiated by the Commercial Justice Baseline Survey. The mission of the strategy is to provide a court "*accessible to all businesses, and which processes commercial cases expeditiously and justly*".

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<sup>22</sup> Commercial Justice Baseline Survey, Law and development Partnership & Steadman Research Services, November 2001

The Court now engages in constructive dialogue with users, and has established a Commercial Court Users Committee to provide a forum for information exchange and learning. Private Sector representatives have benefited from a demystification of the court process, and opportunity to pursue complaints and concerns.

Thus, there has been increased usage of the commercial court with a 35% increase in the number of new cases registered between June and October 2002 alone. The Uganda Bankers Association noted that, “it is gratifying that the registration of fresh cases is increasing. It may be a sign of confidence in the functioning of the court.”<sup>23</sup>

### *Promoting Alternative Dispute Resolution*

The Sector seeks to promote alternative dispute resolution mechanisms to ease access for those enterprises that face barriers due to financial and other constraints. A key initiative has been the establishment of a Centre for Arbitration and Dispute Resolution (CADER) with enabling legislation – *The Arbitration and Conciliation Act* - to allow disputants to seek arbitration, mediation or negotiation as an alternative to adjudication in the commercial court.

Litigation lawyers demonstrated some awareness of ADR mechanisms (See Table 2.4 below) with 61% of them saying they were likely to use ADR. ADR is perceived as being faster cheaper and free from procedural entanglements, which bodes well for increased usage by poorer clients.

**TABLE 2.4 Litigation lawyers aware of Alternative Dispute Resolution Mechanisms**

Methodology	% of Lawyers aware
Arbitration	80%
Mediation	43%
Negotiation	26%

### **Efficiency and Effectiveness**

#### *Case Backlog Clearance*

The Commercial Court has initiated a case backlog clearance programme by establishing targets for case disposal rates and through referral of cases to CADER. Case disposal rates have, however, improved to an average of 6.57 months per case, which is well within the target of ten (10) months. The court-led mediation initiative, wherein cases are referred to ADR before pursuit of the matter in the Commercial court, has also allowed a stemming of inflows into the case backlog. However, the case backlog continues to grow at a rate of approximately 50 cases per month, due to the inadequate number of judges at the court coupled with the sharp increase in the number of new cases being registered at the court.

<sup>23</sup> The Commercial Court: Meeting the Needs of the Private Sector”, Justice J. Ogoola, December 2002



### *Computerization of the Court Case Management*

A computerized case management system (“CCAS”) beta version was installed at the Commercial Court in November 2001. CCAS training has been provided to the court registry staff enabling the entry and updating of hundreds of files. The Commercial Court is now able to easily computer-generate its cause list (timetable of cases to be heard by each judge on any given day) and to provide other sophisticated case management statistics that can indicate the time taken to process cases, average number of adjournments and the judge’s case completion rates.

### *Computerization of the Commercial Registries*

The Land and the Companies registries are where charges and mortgages (collateral for secure lending) are registered and thus perfected and protected. Complaints from the private sector include: lost files or vital papers missing from files, inefficiency and alleged corruption amongst staff. These problems cause what should be normal business transactions to be difficult and uncertain. In view of the disarray of these important registries to the commercial sector, a key intervention has been developing a computerized system of records management.

## **Quality of Justice**

### *Reform of Commercial Laws*

According to the Commercial Justice Baseline Survey , 50% of managers of businesses in formal sector believe that Uganda’s commercial laws have a negative impact on their operations. For the informal sector, 32% believed that the *Income Tax Act* places undue burden on smaller enterprises thereby making them less competitive. In the Legal Profession 71% identified commercial laws, particularly the *Companies Act*, as having a negative effect on commercial practice.

The Uganda Law Reform Commission has begun the process of identifying and drafting new or amendment laws in response to the survey findings. The Commission has now dispatched proposed bills to the following respective ministries for action:

- **Ministry of Trade, Tourism and Industry:** Consumer Protection (new legislation), Sale of Goods and Services (re-enactment), Competition (new legislation), Co-operatives (amendment), Anti-dumping (new legislation), Hire Purchase (new legislation)
- **The Uganda Investment Authority/MFPED:** Special Economic Zone (new legislation)
- **Ministry of Justice and Constitutional Affairs:** Company Bill (re-enactment), Insolvency (re-enactment and consolidation), Partnership Bill (amendment)
- **Ministry of Lands, Water and Natural Resources:** Mortgage Decree (consensus concluded with committee on land laws), Personal Properties Security (new legislation)

*Strengthening the Legal Profession*

The Baseline Survey for Commercial Justice indicates that 75% of the formal sector and 11% of the informal sector use services of lawyers. While 64% of formal businesses are satisfied with the quality of lawyer's service they receive, nearly 100% of the informal sector judged their services to be too expensive, compared with 50% in the formal sector. Ugandan lawyers are also perceived to be corrupt with nearly 40% of businesses rating them as "corrupt". Businesses do, however, have confidence in the lawyer's disciplinary procedures with nearly 50% reporting satisfaction. Table 2.5 below provides a comparison of ratings between the formal and informal sectors, reflecting deep dissatisfaction in the informal sector due to lack of access and unaffordable services.

**TABLE 2.5 Comparison of Formal and Informal Sector Satisfaction with Lawyers**

LAWYERS	INFORMAL	FORMAL	Total Possible Score
Professionalism	2.5	3.0	5
Speed	1.5	2.7	5
Accuracy	3.5	2.8	
Quality of Service	3.0	2.8	5

The Commercial Justice Reform programme has facilitated the amendment of the *Advocates Act*, which provides more stringent disciplinary measures and improved oversight by the disciplinary body, the Law Council. In addition, the Uganda Law Society has taken the policy decision to require lawyers to handle a minimum number of *pro bono* matters or provide payment *in lieu*, as a means developing a "legal aid" culture amongst lawyers. Lawyers are also receiving specialized training in the form of study tours and short courses to improve their capacity to handle commercial matters.

*Monitoring Indicators*

JLOS has developed sector-wide outcome indicators for the medium-term, and institutional output indicators for each component programme. The Sector has also strengthened the current Good Governance indicators in the *Poverty Monitoring and Evaluation Strategy*, June 2002. The rationale behind this is that the current indicators are too narrowly focused, lack attribution to JLOS specific institutions, and in some instances may provide perverse incentives for JLOS institutions. The Sector outcome indicators thus focus on the more qualitative aspect of administration of justice, while recognising the importance of quantitative data.

A key indicator for efficiency and effectiveness of a justice system is how many cases result in successful convictions/ resolution on merit in a reasoned judgment. A better understanding is derived about cases dismissed for reasons indicating inefficiency such as exceeding time limitations, or incomplete investigations.

All indicators have, as far as possible, been designed to encourage good SWAp practice, enable cost-effective data collection, to demonstrate the impact on poverty reduction, use of varied data sources and to maintain a manageable number of indicators.

### **2.4.3 Challenges and Constraints**

#### ***Access to Justice***

- High cost of investment from a physical, financial and human resource perspective;
- The need to define sector-wide indicators that establish linkages between legal sector reform, poverty reduction and economic growth to facilitate increased investment;
- Developing initiatives that take cognizance of vulnerable groups such as women and juveniles.

#### ***Efficiency and Effectiveness***

- Increased pressure on limited JLOS resources in the context of rising crime;
- Identification of emerging pressures and policy issues to minimize the unintended but yet inevitable effects of reform such as prison congestion;
- Defining policy objectives including the number of prisoners as a percentage of the population, that should be held at any one time and thus identify legislative or other mechanisms to offset the pressure;
- Pay reform implementation, recruitment, maintenance of the government estate and staff losses from HIV/AIDS;
- Increased intra-sectoral dialogue to ensure the justice, law and order issues are given due consideration in implementing other sector programmes.

#### ***Quality of Justice***

- Updating the entire body of legislation of Uganda dating from 1964 in harmony with the 1995 Constitution.
- **Reduction in regulatory “red tape” to reduce private sector business transaction costs.**

#### ***Monitoring and Evaluation***

- Refining quantitative performance indicators that show clear linkages between financial inputs and outputs.
- Monitoring at outcome level to ensure there is linkage between sectoral inputs and outputs to sectoral goals and outcomes.

## **2.5 Democratisation**

### **2.5.1 Elections**

Electoral democracy is one of the key elements of good governance that have been pursued in Uganda. After the promulgation of the 1995 Uganda Constitution,

Government embarked on promoting the use of electoral democracy as a key component of good governance. Leaders are elected at various levels within a decentralised system of governance. The conducting of elections has increased the participation of citizens in the decision making within their localities. The people perceive elections as a tool for getting rid of corrupt leaders,<sup>24</sup> but also decry the buying of votes and other malpractices that has marred the electoral process at all levels. This issue is also a concern raised by the UHRC, when it notes that during the 2001 Presidential and Parliamentary elections, money played a central role in the electoral system. The UHRC 2000/1 report also notes that the violation of election laws such as bribery and the abuse of office was common in the elections.<sup>25</sup> Similar concerns have also been raised by the civil society electoral monitoring body - NEMGROUP-U, which noted a range of malpractices in the election systems, which were largely related to the poor enforcement of electoral laws and undue influence by some key institutions of government.<sup>26</sup> Related concerns have been raised by another study which notes that the degree of trust in the National Electoral Commission was at 76% in 2000 and dropped alarmingly in two years with nearly the same number of persons 74% not trusting the electoral system in 2002.<sup>27</sup> In response to the loss of confidence in the Commission, in 2002, changes were made in its leadership. There have also been various court cases on the election malpractice, which still point to the weakness in the conduct of the election. But the fact that most of those aggrieved sought legal redress rather than extra judicial means to voice their concerns points to the confidence in the courts as mediating institutions of the state.

The regularity of elections, the participation of people in electing their leaders and attempts to create an impartial electoral system are all efforts in the right direction that need to be consolidated as critical to the democratic functioning of the state.

The UHRC has also made recommendations to Parliament that need to be taken forward. These include;

- a) Legally empowering the Electoral Commission to enforce laws and rules including prosecution of those who violate the election laws and regulations,
- b) Introducing massive civic education and
- c) Devising a system to monitor expenditures of candidates during the electoral process.

In the PPA2, people made recommendations on how to improve the governance system. The recommendations centred around the need to provide forums for interaction between elected leaders and their communities and providing information that can be used to hold leaders accountable to their constituencies.

## **2.5.2 Parliamentary Strategic Investment and Development Plan**

**In a new development, the Parliament has developed a Parliamentary Strategic Investment and Development Plan (PSIDP) that aims at providing the policy and**

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<sup>24</sup> MFPED/UPPAP:2002

<sup>25</sup> See UHRC Annual Report 2000/1:59

<sup>26</sup> See MFPED 2002a

<sup>27</sup> See Uganda Round 2 Afrobarometer survey report (2003:44)

**development framework to enhance its capacity to exercise its Constitutional mandate and increase its contributions to national development. The PSIDP stipulates the vision of Parliament to be “an effective and independent Parliament that protects and promotes democratic governance, accountability and sustainable development.”**

The plan identifies democracy, development, accountability and institutional relations as the four strategic objectives to guide its role in national development. Parliament’s broad objectives under each of the above four strategic objectives include:

- i) **Democracy:** Achievement of national unity through peace-building; sustenance of inclusive representation; and respect, protection and promotion of human rights.
- ii) **Development:** Facilitation of citizens’ ownership of national strategies
- iii) **Accountability:** Promotion of transparent allocation and utilisation of public resources
- iv) **Institutional Relations:** Strengthening Parliament as an institution as well as stakeholder partnerships

**Important to note is the fact that the plan will be implemented through prioritised programmes.**

### **2.5.3 Constitutional Review Commission**

As part of the process of deepening the democratisation process, a Constitutional Review Commission (CRC) was set up in 2001. The CRC was put in place following indications for the desire to review parts of the 1995 Constitution, to bring it in line with the changing social and political aspirations of the people.

The CRC, Terms of Reference stipulate 20 different elements that it is supposed to fulfil. These fall under the themes; civil and political rights, socio-economic rights, relationships between different arms of government, democracy and good governance and enforcement and/or implementation of the Constitution. The CRC has proceeded to fulfil its task by adopting a methodology that ensures; popular participation of all people of Uganda, listening to all people's views, careful and accurate analysis of their views, an analysis of society to discover people's perceptions of the Constitution, making a comparative study of other Constitutional Reviews in both developing and developed countries, claming fears and concerns of Ugandans on the genuineness of launching the CRC, building the confidence of Ugandans in the exercise and drawing lessons from the methodology used in the constitutional making process in 1995.

By February 2003 the CRC had held public hearings in 44 districts of Uganda and had planned to cover the rest by the end of March 2003. The CRC had also held several plenary sessions in Kampala where views of various stakeholders were received.

#### **Challenges of the CRC Exercise**

- The Constitutional review exercise was supposed to be completed in 18 months since its inception in 2001. This timeframe has not been adhered to and the CRC now plans to have its first working draft out by the end of June 2003 and the final draft by October 2003. This delay partly due to a slow release of funds, according to the CRC may erode the public's confidence in the work of CRC.
- As one study<sup>28</sup> has noted there are mixed views on the question; does the Constitution reflect values of all Ugandans? The proportion of those who feel it does fell from 74% in 2000 to 64% in 2002. However there are also stark regional differences with 44% of people from Northern Uganda and 99% of those from Western agreeing that the Constitution reflects their values and aspirations. These are issues that make the constitutional review process a very pertinent issue in the achievement of good governance goals.

## 2.5.4 Partnership with CSOs

### a) Level and quality of consultation

Since the 2002 PRSP Progress Report, the level of consultation between Government and civil society has in many ways intensified and deepened both at the national, and sub-national levels. A recent study<sup>29</sup> documents that there is consensus that civil society in Uganda is a necessary counterbalance for good governance and efficient, demand-driven service delivery. The study also highlights multiple interfaces between CSOs and Government that stretch from Kampala to the most remote isolated rural villages, thanks to the LC system and concludes that the mechanisms that link CSOs and government are diverse and complex. At the centre, the report establishes that the principle mechanism of interaction is by invitation and since the first revision of the PEAP, government has increasingly issued invitations to representatives of civil society to take part in different stages of the policy process, whether in Taskforces, Steering Committees like the PMA or Sector Working Group like education and health. The report notes that CSOs are vocal and speak out. They also produce discussion papers, which then get discussed. This has been the case in the areas of trade, land policy, the environment, monitoring the utilization of PAF, ending of conflict in Northern Uganda, the Economic Cost of Conflict in Northern Uganda, the importation of Genetically Modified Organisms and many other issues. CSOs have also used the independent media, particularly the press and the mushrooming FM radio stations to put their case to the general public in order to try and influence policy makers, Government officials and elected representatives.

Processes of policy formulation, planning and implementation have been opened up to civil society at the district level and below as well. Most civil society actors sub-national level who do not directly engage with “policy-makers” still remain principally involved in service delivery, which is part of policy implementation. Reports of corrupt tendencies among local government officials who want commissions, or of Councilor-led NGOs

<sup>28</sup> See Uganda Round 2 Afrobarometer survey report (2003:iv)

<sup>29</sup> Brock K, McGee R, Ssewakiryanga R (2002) *Poverty Knowledge and Policy Processes: A Casestudy of Ugandan National Level Poverty Reduction Policy*, IDS Research Report No.53, IDS, University of Sussex, Brighton

being set up to bid and win contracts at the districts and the insistence that certain providers of certain services, such as those under NAADS be private companies still remain issues of serious concern to civil society.

### **b) Civil Society Involvement in Poverty Monitoring**

For policy that is responsive to the needs and rights of poor people, functional systems of representation and accountability need to exist in civil society as well as government. This is important to ensure that people's needs and rights can be communicated effectively, and so that communities and their representatives can monitor effective, pro-poor policy implementation. It is perhaps in the systematic collection, analysis and dissemination of monitoring data that effective civil society involvement is still less evident or clarified.

However, one example of involvement in monitoring is that of the PAF Monitoring Committees (PMCs) now established in several districts to monitor poverty eradication expenditures. But there are questions concerning what is actually monitored. Largely PMCs are focusing on visible indicators that can help to indicate that the money disbursed was spent.

Civil society needs to and is now trying to move into monitoring investment outcomes – to establish whether the lives of the poor people are improving as a result of pro-poor Government expenditures. In addition to establishing the performance of the economy, CSOs have come to realize the importance of establishing the condition of the people, using focused, simple and cost-efficient tools or poor-people-oriented indicators. CSOs are moving into constituency-based monitoring in healthcare, education services, extension services, water and sanitation and even local councils to establish user satisfaction.

In the on-going joint Parliamentarians/Civil Society PEAP consultations, it has come to light that not many people, particularly those in rural areas and back streets of urban areas, are aware about the PEAP and other Government programmes or clearly understand their role in them despite the dissemination of popular and vernacular versions of the PEAP. Government has already developed the PEAP popular version in English and five local languages in a participatory manner which are being distributed through various channels, including NGOs with the NGO Forum as the lead agency. Such popular mobilisation around the PEAP programmes should be intensified.

It has also been noted that there are no implementation reports generated on the various PEAP programmes by local councils, particularly LC1s. Because of this “the problems faced at lower levels (where the poor live) are not adequately recorded and therefore are not being fully addressed”. The planned Civil Society/Government programme on Continuous Civic Education and Government capacity building programmes to enable the LCs more effectively participate in PEAP implementation and monitoring and findings of UPPAP and CSO studies needs to be implemented quickly to alleviate this anomaly. CSOs also believe that the recommendations on ending conflict through non-

military means to give programmes such as NUSAF a chance to improve the poverty status of people in Northern Uganda needs to also be considered as viable options in the PEAP process.

#### **d) The NGO Registration (Amendment) Bill**

Following the dissatisfaction expressed by NGOs about the proposed NGO Registration (Amendment) Bill<sup>30</sup>, there are efforts to harmonise the views of Government, CSOs and development partners on this issue. A study, supported by the World Bank, has been conducted on improving NGO-Government partnership. The results of the study will be used to inform the proposed legislation and Government policy on NGOs.

#### **Challenges for the CSOs-Government Partnerships**

Here are some challenges that have been noted;

- The need to ensure that the NGO Registration Act takes into consideration the concerns of both CSOs and Government;
- Fostering partnerships that are seen as co-owned by both CSOs and Government especially in the areas of poverty assessment, monitoring and public expenditure reviews;
- Redefining the role of CSOs in a decentralised and budget-support policy framework
- Building capacity in CSOs to contribute meaningfully in the macro-economic policy debates on the Ugandan economy.

## **2.6 Decentralisation**

Decentralisation is at the core of the governance framework. The decentralisation policy provides for political, administrative and fiscal decentralisation. The policy is not in itself a goal for poverty eradication but a means for improving public sector efficiency. The policy of decentralisation has devolved substantial powers, functions, and responsibilities to local governments with the main purpose of improving service delivery by shifting responsibility for policy implementation to the sub-national governments.

Since its adoption, the policy has enjoyed significant support from Government and its development partners. Most notable of which was the collaborative design and implementation of three major programmes intended to strengthen the policy's implementation process: a) the Local Government Development Programme (LGDP), b) the Fiscal Decentralisation Strategy and c) the Local Government Restructuring Programme. The three programmes are at different stages of implementation implying that their achievements and impacts are varied.

a) *The Local Government Development Programme (LGDP):*

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<sup>30</sup> 2002 PRSP Progress Report (p.47)



The LGDP was designed and effected in October 2001 by Government and some of its development partners as a mechanism for providing funds to local governments for capital development projects based on a 'bottom up' planning system. The programme is comprised of three inter-related components (i) the Local Development Grant (LDG) in which the local government's have discretionary powers over what development projects they choose to finance, (ii) the Capacity Building Grant (CBG) designed to enable local governments build their capacity to effectively utilise the LDG; and (iii) an incentive system which rewards good performance and penalises poor performance. Funding for all the three components of the programme is channelled through the Poverty Action Fund (PAF), a factor that guarantees their budget realisation.

A midterm review of the LGDP in February 2002 concluded that the programme was achieving its objectives and the lessons learnt should be consolidated and built upon<sup>31</sup>. One of the successes of the programme is that as a result of interventions under its CBG component, 319 LGs were able for the first time, in FY 2001, to submit their accounts to the office of the Auditor General for statutory audit. In addition, technical back-up support has been extended from the centre to LGs in areas of planning, financial management, procurement and contract management. The marked improvement in timely submission of accounts to the office of the Auditor General by LGs has meant a reduction of delays in budget releases to districts. This is a favourable development for the poor in local communities who, according to the PPA2 report have previously been denied the opportunity to participate in the choice of investment projects under the Non Sectoral Conditional Grant (NSCG) on grounds that the late arrival of funds within the financial year makes broader consultation on the use of the grant impossible<sup>32</sup>.

The above achievements by the LGDP have led to its extension for another five-year period. Under the programme title LGDP II that is due to take effect in July 2003 albeit with improved design modifications. LGDP II will differ from LGDP I in three major aspects. One, its capacity building component is purposefully designed to support the human resources development aspect as opposed to capacity in just meeting the requirements for accessing the LDG, as was the case under LGDP I.

Two, the programme will provide resources to strengthen MoLG's capacity to oversee the decentralisation process. This aspect arises mainly from the realisation that the ministry's capacity to inspect, coordinate and monitor local government for purposes of harmonisation and fostering the principles of good governance is limited.

Three, LGDP II will include measures to enhance local revenue collection to reverse the recent revenue decline that they have suffered, as well as attract more sources of donor funds to supplement support from the World Bank.

It is the intention of Government not to have LGDP III but make decentralisation a sector within the Poverty Reduction Sector Credit (PRSC) framework. This would allow the transition from an LGDP project mode of financing LGs' development budgets to an

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<sup>31</sup> MoLG/DSGD (2002): p.xiii

<sup>32</sup> MFPED/UPOP (2003: 91)

institutionalised fiscal transfer modality for the development budgets of LGs under the PRSC. Government will, under LGDPII, develop the necessary decentralisation policy matrix within the overall PRSC matrix for effecting this transition.

b) *The Fiscal Decentralisation Strategy:*

Government has chosen to mainstream the LGDP approach into the Fiscal Decentralisation Strategy (FDS) for the transfer of the development funds to LGs. The objective of the FDS is to streamline resource transfer modalities to LGs commensurate to the services, which have been devolved to them under the Constitution and the LGs Act 1997. The strategy which is implemented jointly by MoFPED and LGFC is designed to address two related issues: (i) Local governments' lack of financial autonomy by gradually granting them the authority to determine within nationally set reallocation limits, their sub-sector and inter sector budget allocations, of the transfers that they receive; (ii) consolidating the existing large number of separate conditional grants into two main transfer systems: recurrent and development.

c) *The Local Government Restructuring Programme:*

This is spear headed by the Ministry of Public Service (MoPS) and involves the review and standardisation of organisational and staffing structures of district and sub-county councils. The restructuring exercise arises from findings that indicate that staff establishments are standardised at salary levels not affordable by many local governments due to inadequate local revenue.

Notwithstanding the above achievements, a number of challenges for the decentralisation process, remain most of which pose serious poverty related concerns.

- i) There is overemphasis on 'upward' rather than 'downward' accountability by local government councils. The simultaneous pursuit of Sector Wide Approaches to planning and the progressive deepening of decentralisation has turned out to undermine some of the fundamental objectives under pinning decentralisation, especially the promotion of inclusive, representative, and gender sensitive decision making. PPA2 findings show that with the exception of a few districts, there is no perceived improvement in the effectiveness of the LC 2 to LC 5 local governments. Their roles and responsibilities remain unclear to the majority of the ordinary people and they are perceived as institutions that only serve the higher levels of government, rather than lower levels. This observation is well substantiated by recent reviews on SWAs, which indicate that the greater share of capacity building support given to local governments is primarily to ensure effective implementation of SWAs which are usually at the centre and not to genuinely build capacity at the local level where needs are arguably greater<sup>33</sup>. Such capacity building circumvents the local political process and undermines the policy of decentralisation.

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<sup>33</sup> Kasumba and Land (2003: 2)

- ii) Unfair unequal intergovernmental fiscal relationships as a result of heavy reliance of local governments on the centre for financing their programs. Most grants from Central Government to LGs remain conditional grants. This has not only undermined LGs autonomy in devising local solutions to local specific problems but has also overburdened LGs with a multiplicity of reporting, accounting and monitoring forms. In addition, LGs are faced with a major challenge of poor revenue bases as well as deteriorating local revenue collections. According to findings from a recent study<sup>34</sup>, the decline in local revenue collections is primarily due to politicking during campaigns for both national and local government elections over the last 3 years, in some cases actively discouraging paying taxes..
- iii) Although the collection of local government taxes was privatised after decentralisation, it is not clear if the actual yield obtained from private tenderers has broadened the tax base or even reduced the cost of collection. Studies show that as low as 10% of tax collected from the public is passed on to the local governments<sup>35</sup>. A specific study on tendering in the fishing sector revealed that resource management is not usually in the tender holders' interest and the tender holder would not promote resource management<sup>36</sup>. The study indicated that it is not always their primary interest to implement good resource management, especially the control of catching of undersized fish.
- iv) Evidence from various studies confirm that decentralisation does not guarantee a participatory system of governance. This is because the local planning process is undermined by the conditional grants from the centre and absence of capacity in some areas to implement effective participatory planning.- Further, findings from PPA2 reveal that there is little awareness in many communities about the activities of institutions at the district level. On the other hand, although the LC1 level is appreciated for its leadership role in adjudication of minor cases, there is some degree of resentment especially by women who saw the LC1 structure as always favouring the men and better off members in their communities.
- v) Some of the constraints earlier mentioned have diminished the resources available to fund growing recurrent costs associated with the increase in investment capital stock over the years as well as counter-part funding obligations under the LGDP. Although the number of local governments has gradually increased over the last three years of LGDP's operations, it is very apparent from the co-financing performance ratings that the ability to generate local revenue is on the decline. For example, during the financial year 2002/03, 82% of local governments under the LGDP were penalised on the basis of their previous year's performance, the case

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<sup>34</sup> GoU/European Commission (2002:8) Report on formulation of a programme in support of decentralization in Uganda

<sup>35</sup> Robert James et al 2001

<sup>36</sup> Wilson James (2002)

for the majority of these being their failure to meet the 10% co-financing requirement<sup>37</sup>.

- iii) The design of the LGDP programme in allocating both the LDF and CBG did not take into consideration whatsoever compensation for areas with perennial disadvantages and was therefore not poverty focused geographically. The grant allocation formulae, which is based on a population (85%) and area (15%) weighting further marginalises districts with relatively lower population densities and or difficult terrain.

The above challenges imply that effective deepening of decentralisation in Uganda will depend on how proactively Government endeavours to:

- a) Strengthen 'downward' accountability by local government councils through the enforcement of existing local government guidelines during planning, budgeting and administration processes.
- b) Address concerns over local politician's interference with the roles and functions of local institutions.
- c) Strengthen the capacity of MoLG to effectively undertake its role of inspecting and monitoring the local governments to promote good governance.

## **2.7 Public Administration and Service Delivery**

Delivery of Government services is supported by a number of systems/services whose effective functioning requires the adoption of best practices in their administration. This, however, is contingent upon the presence of factors such as skilled and motivated staff and supportive infrastructure/logistics. A number of improvements ranging from human resource development to strengthening institutional capacity were registered in the public administration sector during the review period.

### **2.7.1 Strengthening institutional frameworks that support public expenditure management.**

#### **a) Legislative and regulatory structures**

**The Public Finance and Accountability Bill [PFAB] 2002 was passed by Parliament on 16<sup>th</sup> April, 2003, which repeals the Public Finance Act, 1964, and facilitates the management of public resources in line with international practice. The objectives of the bill are:**

- (i) **To bring in line the existing law with the Constitution and more recent legislation such as the Budget Act 2001; and the Local Governments Act, 1997, and**

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<sup>37</sup> GoU/European Commission (2002:8) Report on formulation of a programme in support of decentralization in Uganda

- (ii) **To incorporate significant advances in budgeting and Financial Management practices that have occurred over time.**

**However, to ensure consistence with the Local government Act, the 1997 Act will need to be revised.**

- **Financial Regulations and Treasury Accounting Instructions**

**Revision of the attendant regulations and Treasury Accounting Instructions has been ongoing in anticipation of the enactment of the PFAB 2002, to ensure consistency with the new legislation. In line with the new legislation, the Minister responsible for finance will issue new regulations and instructions once the President has assented to the new law.**

**Local Government Financial and Accounting Regulations, 1998**

**Consultations are taking place between MoFPED, MoLG, OAG and ULAA to harmonize the Local Governments Financial and Accounting Regulations with the PFAB 2002. This will be important especially in view of the fact that public services are provided through a decentralized system of governance.**

- **A Draft Audit Bill**

**This has been prepared and is under discussion. The Audit Bill seeks to improve the independence of the Auditor General in order to better discharge the functions of this role. In addition, the Bill seeks to strengthen the Auditor General's relationship with Parliament and clarify the responsibilities for the auditing of classified expenditures.**

#### **b) Organizational structures**

**As a means of ensuring assiduous monitoring of the financial management reform initiatives a number of co-ordination mechanisms are being envisaged to help further strengthen on-going work in the area of financial management. These include;**

- **Creation of the Public Expenditure Management Steering Committee (PEMCOM) to plan and monitor public expenditure management reform initiatives.**
- **Establishment of an Accountant General. Under the PFAB, the roles and responsibilities for financial management are clarified, including the creation of a position of Accountant General.**
- **Review of the Directorate of Accounts Organisational Structures. Under the proposed PFAB, the roles and responsibilities for financial management are clarified. This will place new demands and responsibilities on the Directorate of Accounts. In addition, the Directorate is introducing an Integrated Financial Management System (IFMS) that will require reorganising the Directorate. Accordingly, a review of the Directorate of Accounts' organisational structures has been commissioned, and a report is expected soon. The GOU will then need to provide the resources necessary to implement the necessary changes.**

- Restructuring of Uganda Computer Services (UCS), is ongoing to review its strategic role within Government.
- Strengthening the Audit function - internal and external.

**c) Budgeting and Accounting Information Systems**

A number of activities have been undertaken geared towards improved budgeting and accounting systems. These include:

- i) Fiscal Management Systems (FMS) Study that was completed in March 2002 to detail Government's business processes, determine an appropriate IT architecture and plan for automating government's budgeting and accounting processes, establish a common Chart of Accounts for categorising government's financial and economic transactions and develop a plan for procuring an Integrated Financial Management System.
- ii) An Integrated Financial Management System (IFMS) is underway to be piloted initially in 6 Ministries and 4 local governments by 1st July 2003. Further rollout to the remaining Ministries and another 6 Local governments is planned for 1 July 2004. The IFMS is expected to enhance the strategic prioritisation of resources across programmes and improve aggregate fiscal discipline over revenue, expenditure and debt. In addition, the new IFMS will support improvements to financial reporting, including meeting International Public Sector Accounting Standards (IPSAS) and Government Financial Statistics (GFS) requirements.
- iii) Introduction of a Common Chart of Accounts structure to classify economic and financial transactions was introduced in the Budget Call Circular in November 2002 and will be incorporated into the IFMS. The common Chart of Accounts will support improved financial reporting under IPSAS and Government Financial Statistics (GFS).
- iv) Adoption of International Public Sector Accounting Standards. Following the enactment of the PFAB, the GoU intends to formally adopt generally accepted accounting standards, based on the IPSAS.

**d) Capacity Building/Training**

In addition to improving systems, capacity building is also being undertaken for the accounting and auditing staff. Achievements so far include:

- i) Capacity Needs Assessment, that was done for the accounting and auditing cadre in government;
- ii) Training programs were developed which involve support for Professional Accounting Qualifications and focused technical training in auditing, induction/orientation to public sector financial management, specialised training (for example internal audit training, IT training, value for money auditing and computer auditing;

- iii) 786 auditors and accountants are currently enrolled for professional accounting qualifications (48 in OAG, 158 in Central Government and 580 in Local Governments);
- iv) Focused training on internal audit procedures, and audit working papers has been delivered;
- v) Training of trainers course was also delivered and 30 ToTs established to deliver orientation and induction training in financial management reforms as well as assist in IFMS training activities.
- vi) Induction program covering the new PFAB, Financial Regulations, Chart of Accounts and IFMS planned for all Accounting Officers before the end of 2003.
- vii) Training for Members of Parliament involved in the audit follow-up process (PAC and COSACE) is being planned for delivery before the end of 2003.

### **2.7.2 Management Reform**

As part of the Public Service Reform Programme, a new Performance Appraisal Scheme that is based on the assessment of well defined and resource specific targets and outputs, has been introduced in the Public Service. The scheme is intended to bring about a substantial change in the culture and practice of the previous scheme which was characterised by inability to measure individual performance objectively and limited input from the appraisee.

In line with this development, MoPS has produced guidelines for managers and staff in the public service as well as a manual on time management for better service delivery. A number of civil servants have already been sensitised on the new staff appraisal system.

### **2.7.3 Pay Reform**

Following Cabinet's approval of the pay reform policy in April 2002, Government has carried forward the implementation of its pay increase strategy within a hard budget constraint. The strategy aims at improving pay levels for middle to senior level professionals in the traditional public sector as well as preserving the purchasing of lower cadre staff salaries. To this end, a total of Sh. 17 and 15 billion was allocated for pay increase for middle to senior level professionals during the FY 2001/02 and 2002/03 respectively and Sh.10 billion for lower level staff in FY 2002/03. Under the budget estimates proposed to Parliament for the FY 2003/04, a total of Sh. 15 billion was earmarked for the pay increases in the middle to senior level staff.

### **2.7.4 Efficient Delivery of Public Services:**

Ensuring efficiency in the delivery of Public services is pivotal in enhancing the realisation of Government's objective of improving the quality of life of the population. It is in this vein that Government is keen to ensure that there is optimal resources use by Government Programmes.

Community services (education, health and water and sanitation) account for the highest proportion of public resources devoted to the provision of public services as was demonstrated by table 1.5 of the first chapter. A number of recent findings have however raised concern over the value for money being realised from increased allocation of resources to the social service sectors. These concerns culminated in the commissioning of a number of tracking studies in the water and sanitation and health sectors as well as continuation of others in the education sector. Supplementary surveys have also been independently undertaken by some keen Civil Society Organisations, in particular Uganda Debt Network.

A 2002 joint GoU/Donor review report of the water and sanitation sector notes that the projectised funding and implementation approach practised by the sector has led to inefficient use of resources and does not provide integrated and holistic support to the districts and communities. In addition, there is inadequate co-ordination among all actors in the sector, including NGOs, which also limits efficient utilisation of resources through adoption of inconsistent implementation approaches. Operation and maintenance is noted for being the weakest in the provision of sustainable water and sanitation facilities with the crux of the problem stemming from the fact that there is currently no integral operation and maintenance plan for ensuring sustainability of completed facilities. To address this problem, a community based operations and maintenance plan has been set up, which will hold communities responsible for the operations and maintenance costs of installed facilities and where the community cannot cover fully the anticipated costs, there must be identification of who will. While this approach may be a solution to the longevity question of water and sanitation facilities, it raises afresh the question of whether the approach will not disproportionately burden the poor in communities concerned.

In the education sector, there is recognition that the sustained substantial budgetary allocations to the sector are being accompanied by progress in expenditure management in support of the UPE programme. This progress is reflected in form of the major reduction in the price of basic learning materials; completion of outstanding Government accounts; continuation of the drive to audit them and continued teacher recruitment<sup>38</sup>. Concern has however been expressed with respect to the proper use of SFG funds. A report by UDN indicates that the amount of money lost under the SFG grant is frustrating the very objectives Government had in setting up the grant. Shoddy construction of classrooms has particularly been cited as an area where a lot of money has been lost. The survey found out that in some cases, shoddy work was carried out with the collusion of some high-ranking district officials<sup>39</sup>. The public's perception on the quality of school building and other related facilities as captured by the 2002 National Integrity Survey appears to concur with above findings as shown in table 2.6 below. By and large however, there is great appreciation by the general public of the improvements in the sector as a whole over the last four years as depicted by the same table.

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<sup>38</sup> Seventh Education Sector Review (April 2002)

<sup>39</sup> Policy Review Newsletter: issue No 3. December 2002



**Table 2.6 Assessment of Quality of Education**

<b>Attribute</b>	<b>Satisfied with Present Quality (%)</b>	<b>Satisfied Improvement in Past years (%)</b>
School Buildings	57	80
School Facilities	47	74
Teaching	44	69

Source: Second National Integrity Survey (March 2002)

In the health sector, study findings conclude that PHC conditional grants have already impacted positively on Government efforts to ensure a Minimum Quality of Health Care for all Ugandans through facilitation of nationwide health infrastructure development and service delivery especially in rural areas with nearly, 100% of the PHC funds that reach the district level being utilised for the purpose intended<sup>40</sup>. This was attributed to the clear guidelines provided by MFPED, MoH, and the Local Government regulations as well as the team efforts of the various players involved in the PHC funds process. This performance is clearly reflected by the public's perception of the progress in the health sector as shown in the table 2.7. The PHC study, however, also revealed long delays in fund requisition and accountability submission due to a number of factors namely; the learning curve associated with a new and complex process, inadequate technical and administrative capacity at requesting level, poor coordination at approval level and 'knock-on' effects of late submission of previous accountability reports by lower level entities in the PHC funds flow cycle. The effects of the above shortcomings are noted to manifest in form of stock outs of key health care inputs an issue that is discussed in chapter 4.

Together, poor fund flows and drug management are reported to have led to deaths, especially where the poor cannot afford them on the market.

*Table 2.7 Household Perceptions of Improvements in Health Service Delivery (Percentage)*

<b>Improved a Lot</b>	<b>Improved a Bit</b>	<b>Not Improved</b>	<b>Cost Expensive</b>	<b>Cost Reasonable</b>	<b>Cost Cheap</b>
11.5	51.2	37.3	36.6	37.1	26.6

Source: Second National Integrity Survey (March 2002)

It is clear that Government efforts to ensure efficiency in delivery of services to the population are registering encouraging progress despite some pockets of malpractice. This points to the need for Government to maintain and further strengthen monitoring, accountability and transparency mechanism currently in place. In strengthening accountability, particular attention must be paid to ensuring accountability at the grassroots and strengthening existing partnerships with other stakeholders especially civil society.

<sup>40</sup> PHC Conditional Grant Tracking study (March 2002)

## 2.7.5 Anti Corruption

Corruption negatively impacts on Government's performance and effectiveness, and is thus a key hindrance to poverty eradication. Uganda has been ranked near the bottom among countries surveyed by Transparency International: as the 11<sup>th</sup> most corrupt country in 1999 and 3<sup>rd</sup> most corrupt country in 2001. Although generally corruption is said to be increasing, ratings for corruption in different institutions show that there is a decrease. According to the second Afro-barometer survey report<sup>41</sup>, police gets the worst ratings with 67% of the survey sample indicating a prevalence of corruption. Next are Government officials (47%), border officials (46%), Judges and magistrates (38%), teachers and school administrators (13%), NGO and community leaders (13%) and Religious leaders (5%). However, Afro-barometer Round 2 surveys have consistently found that actual experiences with corruption appear to be considerably less frequent than commonly assumed.

The National Service Delivery Survey (NSDS) 2000 indicated a decrease in corruption in the provision of services as indicated in table 2.8 below:

Table 2.8 : Trends in corruption in service delivery

Service	% of Respondents
Local Council work	39.5
Local Council courts	39.3
Magistrates courts	27.1 (however 14.2% said there is an increase here.)
Health inspector	24.1
Midwife/nurse	30.5
Vaccination/immunisation	30.2
Pre-natal/post natal	25.6
Agricultural extension services	15.9
Livestock extension services	14.6
Public transport	23.9
Police work	26.8 (although a higher proportion of 32.2 felt there was an increase of corruption here)

The government has successfully undertaken efforts to address the problem of corruption for example by publishing, broadcasting and posting information in news papers on transfers of public funds to local governments and schools. Commissions of inquiry like the Ssebutinde commission on corruption in army procurement, revenue collection and the electoral process have also been instituted as explicit efforts to end corruption in Government institutions.

Government has gone ahead to strengthen the legal framework on anti-corruption. The leadership code was passed by Parliament in April 2002 and this calls for mandatory public declarations of the personal assets and liabilities for leaders and their close family members. 1,769 out of the 5,761 leaders who were served with declaration forms in October had declared their wealth by June 2002.

<sup>41</sup> Uganda Round 2 Afro-barometer Report: Insiders and Outsiders: Varying Perceptions of Democracy and Governance in Uganda, January 2003.

The IGG Bill was passed by parliament in December 2000 and it is now law after being assented by H.E the President in March 2002. The Directorate of Ethics is also spearheading a force to review the Prevention of Corruption Act (1970) and the focus is on harmonizing legislation related to anti-corruption and to strengthen the definition of corruption.

## **Challenges**

A number of significant challenges remain for public administration. Key among them are;

- The thin spread of Government staff given the rise in public service demand amidst a recruitment embargo by MoPs ;
- The high growth rate of the public sector, especially through the rise in the number of local governments, that is increasingly demanding for a larger budget share;
- The tension between providing services in proportion to citizen's demand as against the need to keep the number of civil servants down;
- The slow pace in prosecuting those suspected of embezzling public funds

## **2.8 Public Information**

Government considers provision of public information as a critical component of improving transparency and accountability as well as increasing citizens' participation in programmes that are geared towards poverty eradication. In line with this, it has taken various steps to ensure that increased and timely information is given out to the public through the various channels of Information, Education and Communication Strategy.

### **2.8.1. Medium Term Communication Strategy**

A Comprehensive Medium Term Communication Strategy designed by the MFPED is in its second year of implementation. The key aim of this plan is to increase communication and empower the public to demand accountability. As a result of the strategic plan, a series of publications have been produced and disseminated and these include among others, the *Citizens' Guide to the budget process*, *The Budget at a Glance*, and the *Summary and Popular and vernacular versions of the PEAP*.

The **Citizens' Guide to the Budget** describes the planning process by Central Government and local governments in the preparation of the National Budget. The **Budget at a Glance** on the other hand provides decision makers, analysts, and other interested stakeholders with an overview of national revenue sources, transfers, and utilisation by institution. This is in addition to the existing system of having mandatory notices of monthly releases to the various sectors displayed in public places such as schools, office notice-boards and health facilities as a measure of increasing transparency

and accountability. The system works well particularly in the education sector but less in other sectors.

The **Summary version of the PEAP** is designed to communicate more concisely the key points of the PEAP as well as the institutional and individual roles to make it work and is primarily targeted at Parliamentarians/politicians, policymakers, implementers in

Government and related institutions, district officials, NGOs and development partners. The **Popular version of the PEAP** on the other hand is a simplified visual-aided version of the PEAP published, so far, in English and five major local languages namely; Luganda, Ateso, Luo, Runyoro-Rutoro, Runyankole-Rukiga and Lugbara. A summary and popular version of the PMA have likewise been published .

### 2.8.2 Media

**The media is an integral part of Government's ICT strategy and has continued to play a growingly significant role as a dissemination channel for Government policies and programmes. This commonly takes the form of newspaper adverts and radio and television talk-show programmes as well as radio-spots on FM radio stations.**

**Financial information relating to disbursements is disseminated through the mass media, particularly the local newspapers with countrywide circulation. Sector ministries such as MoH continue to educate and inform the public on key issues such as HIV/AIDS, malaria prevention and family planning using the mass media.**

**Although little is known about the effectiveness of radio communication because no systematic audience research focusing on this has been carried out, the new wave of radio stations using local languages in the districts and the increased coverage of mobile networks has increased and improved the availability of public information. Top government officials and the President himself have frequently appeared on live talk-shows to explain government policies and programmes and to receive views and answer questions from citizens.**

### 2.8.3 Information Technology

**Government has also continued to strengthen its capacity to disseminate electronic information. A number of government institutions including MFPED, MoH, MoWLE, MoW, MoES and institutions like NARO, NAADS, PMA, Uganda AIDS Commission, have established websites providing relevant information on Government policies, programmes, activities, and reports.**

### 2.8.4 Challenges

- Despite the existence of these initiatives, findings from PPA 2 still revealed complaints people about lack of information on GoU policies and programmes, with even less access to women. Poor women especially noted their difficulty in

accessing information by radio because of over control of radios by men and the heavy workload. A number of recommendations were made like use of information boards, community involvement in implementation and monitoring of programmes and many others. However, the problem of illiteracy hampers information flow.

- Although a number of key government policies as in the PEAP and the Budget framework are understood outside government, a number of challenges still remain. The lack of assessments as to whether the information disseminated is assimilated and makes a difference in the lives of an average Ugandan and the limited flow of information to the lowest levels are major challenges.
- The Ministry of Finance commissioned a study towards the end of 2002, to assess progress made in communication efforts to improve stakeholder involvement. The findings of the study will inform the revision of the Ministry's Medium-Term Communication Strategy to address identified concerns and consolidate the gains made.

## **2.9 Community Mobilization and Empowerment**

Inadequate community mobilisation limits community capacity to demand for services; to manage and sustain community investments, and to respond to economic opportunities. The lack of access to information constrains effective decision-making as well as access to essential services and markets , thereby impeding participation in development.

Additionally, the lack of functional skills has a direct bearing on people's productivity and their capacity to plan and benefit from economic opportunities. Empowered communities make better use of education, health environment and agricultural extension services; they have better standards of public health, and are more active participants in society.

Ultimately all these factors have significant implications for poverty, and for the performance of all sectors. Community Mobilisation and Empowerment aims at empowering communities to initiate, plan, and manage development initiatives. Under Community Mobilisation and Empowerment emphasis is placed on increased access to information, knowledge and functional skills especially for the poor and vulnerable.

### **2.9.1 The Community Mobilization Strategy**

In light of the above, Government has developed a Community Mobilisation Strategy with the objective of:

- a) Enabling communities to understand government development programmes and policies;
- b) Preparing communities to embrace and implement such programmes;
- c) Empowering communities to manage and sustain these programmes.

*In setting out key areas of action, government intends to create an enabling environment through Community Mobilisation and Empowerment for communities to participate in their own development. Households and communities will be facilitated to attain the right attitudes, values and aspirations, enabled to participate in the planning and budgeting processes and provided with skills to use available opportunities and resources to get themselves out of poverty.*

A number of programmes including the LGDP, PMA, Non-Sectoral Conditional Grant, and Farmer Empowerment Grants through National Agricultural Advisory Services are already providing discretionary resources to communities to facilitate their effort in fighting poverty. However, the successful use of these resources demands that communities are effectively mobilised to participate in community planning and budgeting processes, provided with skills to help improve productivity and helped to access resources and provide accountabilities.

Various ministries, sectors including the office of the Resident District Commissioner at the district and sub county levels have gone a long way to recruit mobilisers with the mandate of sensitising the population for socio-economic and political development. The activities of these mobilisers have hitherto remained ineffective due to lack of coordination. Community Mobilization and Empowerment function will ensure that an institutional framework is in place to enhance the cohesion of various efforts. A key step in ensuring that this happens is the ongoing development of a community mobilization strategy [which is currently in draft form].

### **2.9.2 Status of Community Mobilisation and Empowerment**

The most recent socio-economic indicators show that the development gains made in the 90s have not been sustained in all sectors and at all levels. There is therefore an urgent need to transform development efforts into social and economic achievements at the community and household levels. This is in recognition of the fact that socio-economic transformation hinges on community participation and sustainability of gains achieved. Communities need to be mobilized to supplement government efforts in eradicating poverty.

Local governments have already recognized the importance of community participation in the planning and budgeting processes at all levels. Community development workers have been identified as core mobilisers and facilitators for information flow, civic education, local revenue mobilisation and gender and rights fulfilment.

**To this effect, a Community Mobilization and Empowerment function has been revitalised and the position of a Community Development Worker (CDW) has been set up in the local government structure context. A Community Mobilisation Strategy has been developed to support the revitalization of the Community Development function, mainstream and integrate this function in all government programmes and to provide a policy and regulatory framework.**

### **2.9.3 Challenges**

A number of key challenges must however be overcome for the strategy to roll out and become fully institutionalised. These include the need to:

- a) Ensure that at least two trained and facilitated community development workers are recruited per Sub County;
- b) Provide coherent financing mechanisms for Community Mobilization and Empowerment activities at all levels of government;
- c) Promote multi-sectoral linkages through local government planning and ensure that Community Development Workers assume their coordination role;
- d) Ensure that communities participate in identifying their own priorities, planning and monitoring effective use of resources available at their level.

### **2.10 Future Policy Direction**

This chapter has focused on a review of progress and challenges among poverty eradication state and non-state actors' and institutions in Uganda. It is evident from the discussion that a smooth interaction between the economic, social and political forces in Uganda is important for effective poverty eradication efforts. For a state to be considered a well-functioning state there are three critical characteristics that have to be in place. First, the state must have the capacity to maintain law and order and nation-wide security without which some institutions of the government cannot function. Second the state must ensure individual liberty and equality before the law. Third, the state needs workable checks and balances on the arbitrary exercise of power. Once this institutional arrangement is in place, then the public sector can raise revenue and supply services more effectively to fight poverty.

However, as this chapter shows, there is still a long way to go in the achievement of all good governance targets in Uganda. The different elements of good governance that have been reviewed in this chapter show that, good governance for poverty eradication is linked to other elements of public policy and public service delivery. The interconnections are evident if we think of the ways in which different parts of the state feed into each other. For example in the delivery of pro-poor services a high-performing public sector can only meet social needs through a budget system that enables policy makers to choose among competing initiatives. Once the choices are made, politicians and communities must be able to resist pressures to reverse commitments. The public sector should also have incentives to perform by being held accountable by non-state actors. These are the inter-linkages that need to be pursued if poverty eradication is going to be a reality.

During the PEAP revision, key issues for review should include:

- Determining performance indicators and targets for this pillar;
- Considering refugees as a poor socio-economic group;
- Re-examining the decentralised framework.

## CHAPTER 3

### INCREASING THE ABILITY OF THE POOR TO RAISE THEIR INCOMES

**Picture**

**Urban Informal Sector “Jua Kali”**

#### 3.1 Introduction

The purpose of fostering pro-poor growth is to ensure that at the micro – level, households’ incomes are increased. Policy interventions have been put in place to raise incomes of the poor by ensuring their access to productive assets, increasing productivity of new, and existing activities by enhancing returns to their assets. The central thrust of the Government’s policy in this area is contained in the Plan for Modernization of Agriculture (PMA)<sup>42</sup> launched in 2000.

Previous monitoring efforts have indicated steady progress in implementation of the pillar resulting in improvements in income levels of the majority of groups. Income disparities have been observed between areas and regions, with the Northern region and rural areas being most disadvantaged. Key challenges that have been highlighted before and are still outstanding include the need to ensure that increased incomes translate into welfare improvements for the poor, diversifying household income sources especially from the non-farm activities, expanding employment opportunities especially for the youth and speeding up the implementation of the PMA.

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<sup>42</sup> The seven priority intervention areas for the PMA are: Research and Technology Development, National Agricultural Advisory Service, Agricultural Education, Rural Finance, Agro processing and Marketing, Natural Resource Utilization and Management and Physical Infrastructure.



This chapter looks at the progress and challenges in implementing interventions aimed at increasing incomes of the poor. The report is structured into five substantive sections. The first attempts to assess poverty trends and household welfare in general. The second section investigates issues relating to access to assets while the third focuses on the factors that enhance or constrain returns to these assets. The fourth section explores agricultural production, while the last provides future policy direction. The Box below summarises the key progress areas and challenges emerging from the analysis in this chapter.

#### Emerging issues for increasing incomes of the poor

Main progress areas	
(a)	The majority of active borrowers from micro-finance institutions are women mainly engaged in commerce and located in urban areas.
(b)	The poor remained the primary channel that started playing a key role in empowering local communities, primarily to deal with poverty and livelihood constraints in their localities.
(c)	Several policies have been put in place in the Environment and Natural Resources Sector to deal with the declining quality of the environment.
Key challenges	
(a)	Poverty continues to be most acute with the northern and eastern regions having the lowest level of asset holdings.
(b)	The seven components of the PMA need to be fully operationalized, coordinated and properly monitored to link with the expected outcomes.
(c)	The quality of the environment and natural resources on which poor people depend is declining resulting in reduced incomes.
(d)	Unequal gender relations at all levels are a key constraint to raising household incomes.
(e)	Market access and returns for agricultural produce need to be enhanced.

### 3.2 Trends in Income and Poverty

The limited results from the 2002/03 household survey make it difficult to accurately determine poverty trends in the last two years since 2000. This summary draws on recent analytical work as well as the 2001/02 PPA to provide the most accurate interpretation of what may have happened to poverty trends in the period 2000-2002. In addition, changes in nutrition are also used to ascertain trends in poverty.

### 3.2.1 Poverty trends and inequality

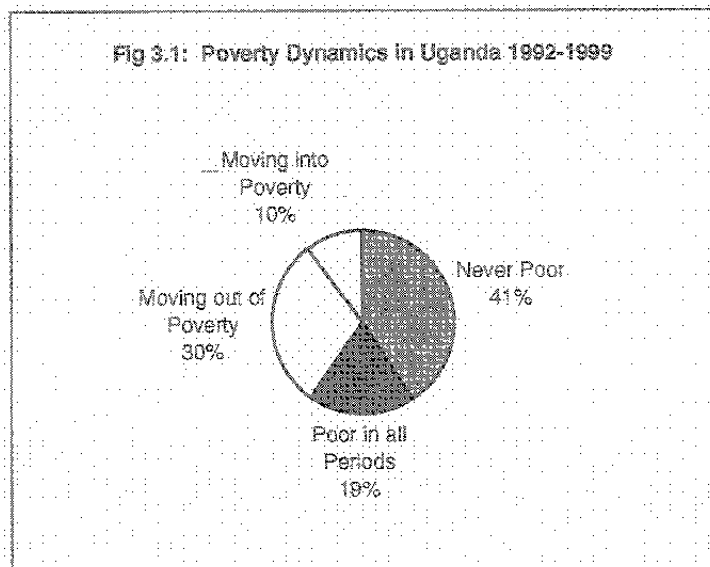
The proportion of the population living below the poverty line declined from 56 percent in 1992 to 44 percent in 1997 and further, to 35 percent in 2000. A small component of this reduction was due to redistribution hence the observed widening inequalities between rural and urban areas and inter-regionally, with the North lagging behind the rest of the country, followed by the Eastern region. Using data on households interviewed both in 1992 and 1999, Lawson et al (2003)<sup>43</sup> find that there are a core number of households which remain in poverty (chronic poverty) and substantial number that moved back into poverty after being non-poor in 1992 (Figure 3.1).

Findings also show that one third of the chronically poor (30.1 percent) and a disproportionate number of households moving into poverty are from Northern Uganda. More than 91 percent of the households that are chronically poor and those moving into poverty live in rural areas.

For the three household surveys conducted since 1999, children and young adults constitute a large share of the population (76 percent in 2002 based on preliminary results of the 2002/03 UNHS). This creates a high dependency ratio given that not all employable adults are gainfully employed. Obviously, by virtue of their numbers, children are heavily represented amongst the poor.

There is further evidence of the economic inequalities between the Northern and Eastern regions and the rest of the country. Levels of asset holdings, a key determinant of poverty, are much lower in the North and East than elsewhere in the country. In addition, 31 percent of the households in the East as compared to 59 percent nation-wide own a bicycle and only 16 percent of the households in the North as compared to 35 percent overall live in a permanent house. Also, land rental activity, which is a factor indicative of economic growth, is significantly higher in the Central, East and West than in the North of the country.

During the 2001/2002 PPA, poverty trends were explored in 12 districts<sup>44</sup> of Uganda for the period from 1990. Indications are that access to social services particularly education, water and health has dramatically improved for the majority of the



<sup>43</sup> Lawson, D., Mackay, A. and J. Okidi, 2003. Poverty in Uganda – Basic Dynamic Trends.

<sup>44</sup> Mubende, Bugiri, Wakiso, Jinja, Masindi, Moroto, Ntungamo, Arua, Rakai, Soroti, Bundibugyo and Kitgum.

communities, especially since the implementation of the PEAP in 1997. However, the quality of services was noted to have deteriorated at the same time (see Chapter 4).

The productive sectors including crop, livestock, agro-forestry and fish farming, from which the majority of rural households derive the bulk of their income, were reported by poor people to be performing poorly thus leading to low household incomes. Poor performance was attributed to low production and yields, poor prices, inadequate incentives to expand production, lack of markets, environmental degradation and insecurity and human displacement in Northern Uganda. The lack of markets is further discussed in section 3.3.2 while the key message from the Environment and Nature Resource, (ENR) sector is that the quality of environment is declining (see 3.3.1).

The key factors identified in PPA2 as leading people into and out of poverty are shown in Table 3.1. Alcoholism stands out as the number one cause of movement into poverty as well as polygamy and insecurity. On the other hand, working hard in all types of jobs explains movement out of poverty.

**Table 3.1: Priority factors responsible for moving people into and out of poverty**

Moving into poverty		Moving out of poverty	
Priority factors responsible	% of communities reporting of total <sup>45</sup>	Priority factors responsible	% of communities reporting of total
Alcoholism	42%	Working hard/ gainful employment	53%
Polygamy	42%	Multiple income sources	47%
Insecurity & displacement	42%	Access to land, property	47%
Large families	37%	Education/literacy	37%
Illness	37%	Startup capital	21%
Theft	32%	Petty trade (women)	21%
Landlessness	26%	Surplus production and good prices	21%
High/unfair taxes	21%		

Source: MFPED, 2003.

### 3.2.2 Determinants of Poverty Trends

Using the UNHS 1992 and 2000 panel data, four key determinants of household consumption growth were identified namely: asset ownership, electricity, health and civil strife (PSR, 2001). By increasing asset ownership, improving access to public services such as health care and infrastructure as well as avoiding civil strife, households can increase their ability to raise their incomes and reduce the risk of falling into poverty. A review of the performance of these and other indicators during 2000-2002 may provide an indication about the poverty trends since the 2001, Poverty Status Report (PSR).

<sup>45</sup> A total of 60 communities were sampled.

### 1. *Asset Ownership*

The ownership assets (particularly land in the case of the poor) has been found to have a particularly large impact on a household's ability to hedge itself from poverty. An analysis of land markets carried out by Deininger and Mpuga (2003), based on the 199/2001 UNHS survey finds that only a small majority of households, who were also wealthier, own land. The Village Census also found that the poor have been at a low level of asset ownership for a long time, and do not follow the steady growth experienced by the wealthier households (see also section 3.3.1). These findings are confirmed by Lawson et al. (2003) who show that assets depletion is particularly prevalent in households who are chronically poor and households moving into poverty, that appear to make distress sales of key assets in an attempt to avoid poverty.

### 2. *Access to public goods (health care, education, electricity and infrastructure)*

The efficient and equitable production and distribution of public goods such as health care, education, electricity and infrastructure has been identified as a crucial factor for reducing poverty. As in the first participatory poverty assessment (PPAI) conducted in 1998, the most frequently cited cause of poverty in PPAII is ill health and disease. People explained that poor health causes poverty because: when they are sick they cannot work, women and children spend time taking care of the sick thereby reducing the time for productive work; the cost of treatment uses up valuable savings and in some cases assets have to be sold. The study by Lawson et al. (2003) shows that chronically poor household are headed by the less educated.

### 3. *Avoidance of civil strife.*

As was noted in chapter 2, civil strife has caused untold suffering in the north – the region where poverty is on the increase. A survey commissioned in 2002 by Civil Society Organizations for Peace in Northern Uganda (CSOPNU), a coalition of more than 40 local and international non-governmental organizations, found that the conflict has cost the Ugandan economy at least US\$1.33 billion since it started, representing approximately 3 percent of GDP or US\$100 million annually and exceeding central government spending on health<sup>46</sup>. The majority of these costs relate to military expenditure (29 percent), loss of livestock and crops (24 percent) and cost of ill health and deaths (21 percent). One crucial implication is that despite being a Northern conflict, the war has affected national trends in growth and poverty, given the displacement of people, large and unproductive areas in the North coupled with the resulting budgetary re-allocations away from development projects towards the military and relief activities. Thus, avoidance of civil strife is key to reducing significantly the chances of a household falling into poverty.

Other determinants of poverty trends that need mention are population, and gender issues.

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<sup>46</sup> *Source:* The Economic Cost of the Conflict in Northern Uganda. Civil Society Organizations for Peace in Northern Uganda (2002).

#### 4. *Population*

While the relationship between population growth and poverty remains a complex and contested one, several important aspects about the nature of this growth in the population over the last decade in Uganda are helpful for postulating about the impact on poverty trends.

The highest population growth rates were observed in the Northern region (4.5 percent), the only region in the country that has had increasing poverty levels over the last decade. Similarly, the population growth rate in Eastern Uganda was also high (3.6 percent) and this is the second poorest region. The causal relationship – whether high poverty led to increased population growth or the other way round requires more empirical analysis. Comparatively, population levels were generally declining in the Central and Western regions.

The highest population growth rates were also observed in rural (as opposed to urban) areas. In PPA2 large families were one of the most frequently reported causes of poverty and were identified as a key factor responsible for moving people into poverty. Also, large families were identified as a key root cause of land shortages.

#### 5. *Gender relations and returns to assets*

Gender relations within the household as well as at community and national level have been identified as a key determinant of poverty trends as they either enhance or undermine the returns to assets owned by the poor. The PPA2 and several other recent studies on gender relations in Uganda find that returns to the major productive assets in Uganda, land and labour, accrue very unequally to men and women.

While women provide the bulk of agricultural labour and are responsible for providing food and increasingly other basic necessities for their families, they do not control productive resources or the returns from them. As noted above, women generally lack control over land and because of this, do not control the use of agricultural production or income from agricultural sales. In PPA2, women also reported that they often do not control money they earn from other income generating activities, such as petty trade. A study by Oxfam-UK and Irish Aid in the North and East noted that lack of control and decision making at household level by women were particularly pronounced in polygamous households but less evident in monogamous household<sup>47</sup>

**The analysis on poverty trends and inequality suggests that future efforts at addressing poverty concerns in the country should continue focusing on rural areas with special attention going to raising household assets in the Northern and Eastern regions. The issue of tackling child poverty should also come up high on the national agenda. Factors that help poor households to move out of poverty, particularly**

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<sup>47</sup> Refer to Kitgum Food and Peace Security Project (1998) by John J. Oloya and Food Security Project for Kumi District (September 1998) by John J. Oloya and Suleiman Namara

**improved gender relations and access to gainful employment, good agricultural prices, peace and security and public infrastructure should be promoted.**

### **3.2.3 Employment**

The most sure way to ensure increase of incomes, is through productive employment. Most Ugandans are self-employed in agriculture and other non-farm sector activities. As incomes rise and investment occurs, there will be more opportunities for people to enter formal employment.

#### **a) Employment status**

The employment status is difficult to review because of the limited data. However, Marter (2002) shows that the central and western regions seem to have a more concentrated and wider range of non-farm activities than elsewhere for a number of reasons:

- Wealth and influence has tended to be focused in these regions
- Presence of a relatively large urban population
- Relatively higher population density
- Better transport infrastructure and markets.

The Northern and Eastern regions have a less favorable environment at present within which rural non-farm activities take place (Marter, 2002). The prevalence of insecurity in some parts of Northern Uganda continues to discourage the growth and expansion of non-farm activities in this region. Canagarajah et al (2001) found that expansion in non-farm incomes in rural Uganda is significantly enhanced through education attainment. The 2001 PSR reported adult literacy levels being lowest in Northern Uganda (49%) and the East (59%) and highest in the central (77 percent) and the west (65 percent).

Diversification has become an important feature of rural livelihoods in the country, with off-farm activities accounting for an increasing proportion of household incomes, particularly amongst those farming close to feeder roads and those whose members are better educated and more healthy. It is also important to note that female-headed households engaged in a mix of both farm and non-farm work have risen out of poverty at a faster rate than those engaged only in agriculture.

**Access to education, feeder roads and other supportive infrastructure, particularly in the remote rural areas needs to be improved in order to increase households' ability to diversify and engage in non-farm income sources. The draft National Employment Policy through which some of these challenges will be addressed is still under discussion and will soon be tabled to Cabinet for approval.**

#### **b) Micro and small-scale enterprises**

Micro and small-scale enterprises (MSEs) that currently number over 800,000 are largely informal, employing about 90 percent of the total non-farm economically active population estimated at approximately 1.5 million people (MFPED, 2001a). During the

2001 PSR review, major constraints identified as hampering MSE growth were relating to the inadequacy of the regulatory framework, financial services and infrastructure. Progress and challenges faced by the MSE sector are presented in Box 3A.

### **Box 3A : Micro and Small scale enterprises**

**Policy objective: Improving business environment for MSEs**

#### **Priority actions**

- i) Improving the legal and regulatory framework
- ii) Developing infrastructure within MTCS framework
- iii) Provision of micro finance services
- iv) Capacity building through skills development
- v) Stimulate technology development and transfer

#### **Status of implementation**

- The deregulation program initiated in 2000 to reduce the regulatory and procedural obstacles to doing business is underway. Progress has been registered in simplifying the process of obtaining a trade license from 2 days to 20 minutes, reducing the time and cost of settling tax disputes, financial leasing and labour law reform. The PPA2 found that workers on large-scale agricultural estates are being exploited due to outdated and poorly enforced labour legislation, highlighting the need for regulation to protect workers. Many activities under the Deregulation Program are in the pilot phase.
- The provision of infrastructure has been covered under section 3.3.2 and chapter 1; micro-finance services are reviewed in section 3.3.3.

#### **Key challenges**

MSEs continue to face the same challenges as identified in 2000 according to a baseline survey conducted in 48 districts by the MSE Policy Unit in MFPED

- Insufficient infrastructure – water, power, roads, telecommunications, premises
- Legal and regulatory constraints – inefficient commercial laws, poor law enforcement, problematic business registration
- Marketing problems
- Inadequate finance, limited outreach and failure of business community to utilize micro-credit on offer due to high interest rates, bureaucracies, lack of security
- Poor coordination between business entities and policy levels
- Poor information flow
- Limited capacity within districts to promote MSEs.

### 3.2.4 Food Security and Nutrition

Uganda is generally rated as a having surplus food but there are signs of malnutrition especially among children in some parts of the country. Some key nutritional indicators are summarized in Table 3.2. suggest that acute malnutrition (wasting) rates in Uganda have declined since 1995, while chronic malnutrition (stunting) rates have increased. Causes of this include inadequate food intake, ignorance, poverty, taboos and the high prevalence of HIV/AIDS. In the last few years, Uganda has witnessed an increase in the incidence of diet-related, chronic, non-communicable diseases such as hypertension, obesity, diabetes and heart problems.

**Table 3.2: Key nutrition-related indicators for Uganda**

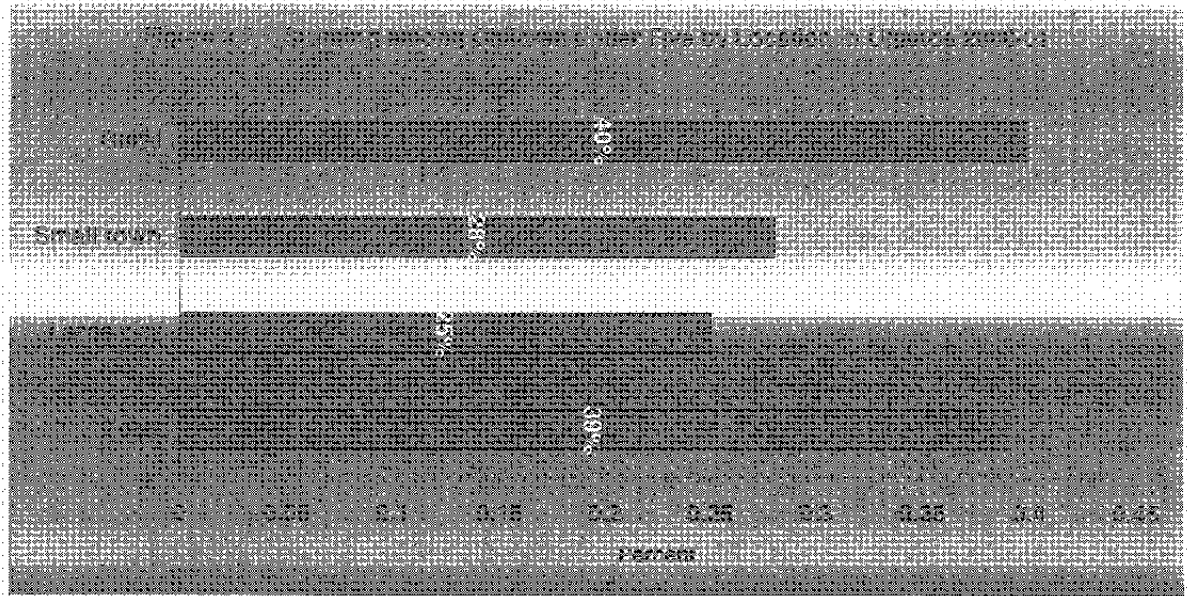
Indicator	Percentage affected	
	1995	2001
Wasting among children under 5 <sup>48</sup>	6%	4.0%
Stunting among children under 5	36%	39.0%
Underweight children under 5	27%	23.0%
Vitamin A deficiency among children	-	28.0%
Anaemia in children under 5	-	64.0%
Anemia in pregnant women	-	41.2%
Anemia in non-pregnant women	-	26.2%

Source: Report of the Nutrition Core Group 1999/2000; National Food and Nutrition Policy 2000-2003 Final Draft; UDHS 1995 and 2001.

As shown in Figure 3.2, the rural population is more affected than the urban population with over 40 percent of the children being stunted. Regional differences were reported in stunting with the Western region being most affected followed by Northern Uganda. Even in districts that are considered to be food secure, chronic food deficits do exist among the very poor households and vulnerable groups particularly pregnant and lactating women, infants, refugees, the sick, internally displaced and elderly persons (FAO, 2002).

<sup>7</sup> *Stunting* reflects chronic malnutrition, which is the result of inadequate intake of food over a long time period and chronic illness; *Wasting* reflects acute malnutrition, a result of a recent failure to receive adequate nutrition enhanced by acute illness; *Underweight* reflects from either chronic or acute malnutrition or a combination of both.





Ensuring food security for the majority necessitates that either adequate food is produced by the households or that they are able to earn enough incomes to be able to purchase food from the market. However, unequal gender relations within households may negate this, as was the case in Western Uganda.

Feeding practices and expenditures on food by the household also play a significant part in determining the level of nutrition within the household and attention should be paid to them. Raising people's awareness on key interventions for food security by improving access to knowledge, research results and exchange of experiences is a vital step in the eradication of hunger.

These challenges need to be urgently addressed through the PMA interventions. The draft Uganda Food and Nutrition.

### 3.3 Access to Assets

This section looks at the state, quality and quantity of assets that are most important to poor people's livelihoods particularly focusing on how these relate to the level of access by different socio-economic categories, region and gender, where applicable. The analysis presented here lends itself to the sustainable livelihoods framework that distinguishes between: natural, physical, financial, social and human capital assets. Access to assets is an important part of benefiting from the returns from those assets and vice versa. While access is the main thrust of this section, many of the issues covered also enhance returns to poor people's assets.

### 3.3.1 Access to Natural Resources and the Environment

Poverty in rural areas is often strongly linked to a heavy reliance on the environment by the poor which provides them with food, energy, water, housing, good health and a means to employment and income generation. During times of hardship and disaster, the environment also provides important safety nets. In this section, the environment<sup>8</sup> is looked at in totality and then issues relating to access to the various sub-components are discussed.

#### a) Overall quality of the natural assets and the environment is declining

Uganda's rapid economic growth over the last 5 years has put significant stress on its natural resource base and is beginning to manifest itself in the form of environment degradation. This is evidenced by loss of agricultural productivity; loss of forest cover particularly outside protected areas; water pollution caused by discharge from industries and domestic waste; and a declining resource stock as a result of over-harvesting of fish, encroachment on wildlife areas and wetlands (SOER, 2002).

Consequently, the quality of the environment on which poor people depend is declining. This in turn limits livelihood opportunities, forcing the poor to over-rely on fewer resources.

Together with information from PPA2 and Participatory Poverty Environment Assessment (PPEA), it is evident that regional inequalities exist in quality, access and utilization of natural resources across Uganda as illustrated by the map (DFID, 2002). Households in large parts of

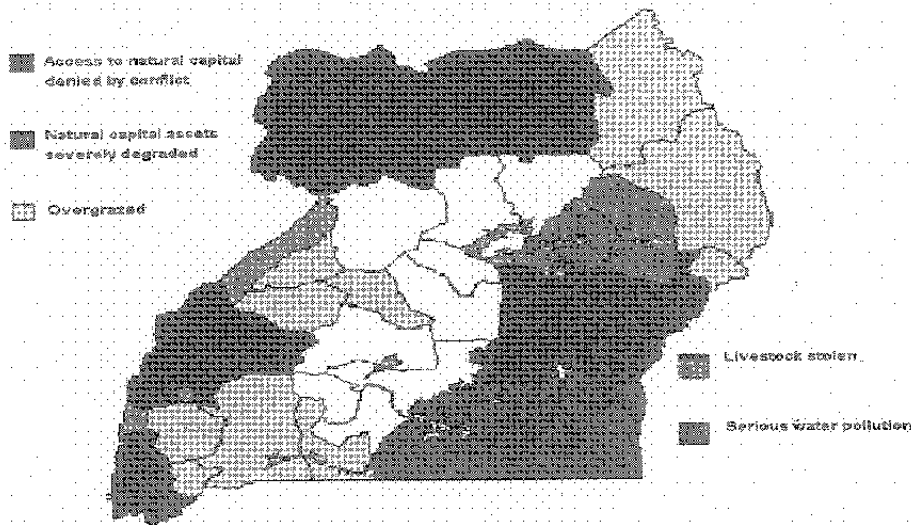
Northern Uganda are unable to access and make use of the natural assets due to conflict resulting in mass displacement. Severe natural resource degradation is observed in southwestern and parts of central and eastern Uganda. Areas bordering Lake Victoria are suffering from nutrient enrichment and water pollution problems and the introduced species of Nile perch and the Nile Tilapia have decimated the indigenous fish populations.

PPA2, 2002  
Box 5.3 Declining natural resource quality

People stressed that declining soil fertility, deforestation, pasture degradation, and decreasing fish stocks are impacting heavily on their livelihoods by constraining their ability to increase their income and making them more vulnerable. Women in particular were concerned about these changes. They found that they were now walking longer distances to more isolated places to collect resources such as wood, grass and wild fruits. This was increasing their work burden and exposing them to new risks.

All these regional inequalities pose serious challenges to interventions aimed at raising household income. Research in PPA2 and the PPEA indicated a number of key causes of environmental decline, as follows: poor farming methods; unequal gender relations;<sup>49</sup> demographic pressures leading to land shortages; limited non-farm income-generating opportunities; lack of efficient energy sources; armed conflicts.

Progress in policy implementation towards improving the environment and natural resource management is summarized in Box 3B.



## b) Access to specific components of the environment and natural resources

### i) Forests

Forests and woodlands cover 24 percent of the total land area in Uganda. About 70 percent of forest resources are on private land, 15 percent in Central forest reserves and 15 percent in national parks. Recent evidence shows that the quantity and quality of the forest cover has declined over time. More than 30 percent of the tropical high forests are now degraded, with private forests shrinking more rapidly than government-managed forests. As a result, the overall biodiversity of the country is declining.

Six factors have been identified as the major causes of deforestation including:

- Conversion of forest into crop and grazing land
- Lack of alternative energy resulting in over-harvesting of forest products.
- High population growth and large families

<sup>49</sup> Women's lack of control over the resources drives them into activities that degrade the environment and they also lack incentives to invest in conservation measures.

- Absence of effective systems for environmental regulation.
- De-gazetting of urban and peri-urban forest reserves for industrial and urban development
- Increased demand for construction and charcoal

Deforestation has led to increased poverty through increased fuel wood costs, both in terms of money and time spent in collection. Distance traveled particularly by women and children to collect firewood has increased dramatically between 1992 and 2000 from 0.06km to 0.9km, being much further in rural areas and particularly in Northern Uganda (UBOS, 2002).

The Government in 2001 put in place a National Forestry Policy that sets out the vision and guiding principles for forest sector development. The framework for implementation is the National Forestry Plan (NFP) approved by cabinet in 2002. Divestment of the Forest Department and creation of a new National Forestry Authority (NFA) is one of the key policy directions under the plan to improve efficiency in management of Central Forest Reserves.

### **Box 3B: Environment and Natural Resource Management**

**Policy Objective:** Sustainable social and economic development that maintains or enhances environmental quality and resource productivity to meet the needs of the current and future generations.

#### **Priority actions**

- i) Putting in place appropriate policies and regulations
- ii) Improving policy and legislative capacities at all levels to deal with environment issues
- iii) Implementation of Environmental Impact Assessments and Audits
- iv) Promoting environmental education and awareness
- v) Developing a sector-wide approach to natural resource management
- vi) Strengthening NEMA to undertake its coordination role and gradually streamlining it in the national budget.

#### **Status of implementation**

- A number of policies have been put in place namely: the 2000 National Soils Policy; 2003 Fisheries Policy; 2001 Forest Policy; 2001 Wetlands Sector Strategic Plan; district and community Wetland Action Plans and several other district environment management policies
- Responsibility for managing the environment has been devolved to the districts and lower governments
- The Environment and Natural Resources Sector Working Group was formed in 2001. It prepares and harmonizes the sector plans and budgeting processes.
- Efforts are underway to develop an ENR SWAP in 2002/03. This will be the first in Africa.
- The review of Environmental Governance is underway
- Environmental capacity building and training is being undertaken for the relevant government agencies. Guidelines for mainstreaming sustainable natural resource management have been provided to NGOs, districts and sub-counties.
- The process to create a new National Forestry Authority has begun.

#### **Key issues**

##### **What is the cost of environmental degradation?**

Degradation of the environment and natural resources (ENR) sectors is estimated to range from 4 percent to 12 percent of GDP. The agricultural sector alone is estimated to be responsible for 86 to 91 percent of ENR degradation in monetary terms. This takes the form of deforestation, loss of natural habitats, loss of top-soil, uncontrolled growth of water hyacinths, pollution of water bodies, illegal logging, and bush land burning (Moyini and Muramira, 2001; World Bank 2002).

##### **Challenges and constraints**

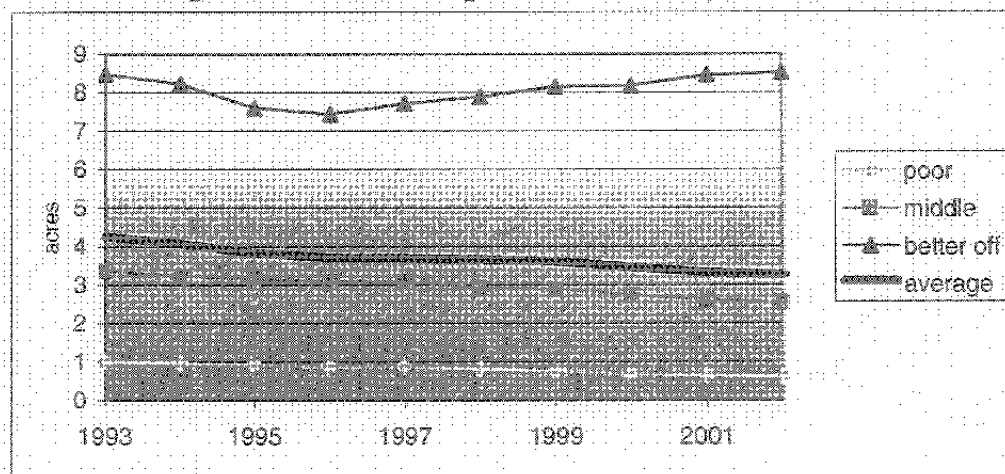
- Inadequate capacity and resources at district level to finance and manage environmental programmers. This raises questions of sustainability of decentralized environmental management.
- Financing of environmental policies that have been put in place remains a major challenge
- The current PEAP is noted to be weak in meeting the principles of strategies for sustainable development when it comes to the integration of environmental and natural resource issues;
- Lack of awareness of rights, conflicting policies and exclusion of people from decision-making
- Inadequate regulatory framework for fisheries: Fisheries Policy tabled 6 months ago to Cabinet but not yet passed. This will be addressed.

## ii) Land

Land is a key resource of production and the main capital available to the majority of Ugandans. It supports agriculture on which the country depends and access to land is a basis for rural livelihoods. The success of the PEAP therefore in enabling increases in household income will largely depend on the extent to which land matters are fully addressed to enable meaningful agricultural transformation – gradual shift from subsistence to market oriented production. Some 18 million hectares of arable land is available for cultivation in Uganda. It is estimated that only a third of this is under arable cultivation and about 700,000 hectares is under large-scale agriculture (DFID, 2002).

Recent findings (PPA2) indicate that access to land is increasingly becoming a problem for poor people. In the 60 villages covered in the 2001/02 participatory assessment, shortage of land was the second most frequently cited cause of poverty after health. Findings from the Village Census show that households are not accumulating land; rather this asset is diminishing in size. Figure 3.3 shows the overall trends in land ownership by wealth category.<sup>10</sup> The households owning most land in 2002 find themselves owning the same acreage as in 1993 having recovered from a dip in 1996. The middle and poorest categories on the other hand have seen their landownership decreasing significantly. The challenge therefore is to identify ways in which poorer households can be enabled to take advantage of alternative sources of income while making the best use of the little land that they are left with.

Figure 3.3: Changes in land ownership over the last 10 years among households



Source: MFPED/UPPAP, 2002.

*Large families*, particularly polygamous ones, were reported to be the key root cause of land shortages in the majority of sites in the 12 PPA2 districts. Other important factors reported to have resulted in land shortages are: distress sales by poor people; insurgency in the North; inadequate land use planning, commercial farming and evictions to make

way for forest and game reserves in the center and east of Uganda; and rural-urban migration.

The most common concerns regarding land use are summarized in Table 3.3. For land to continue supporting agriculture sustainably, sound soil management techniques are essential. Soil degradation arising from declining fallow periods and inadequate fertilization, deforestation and in some cases from overgrazing, is increasingly threatening yields in many areas. A recent study found that soil quality was a more important factor in determining land price than type of tenure (Rural Development Institute, 2002).

The increasing fragmentation and sub-division of holdings in parts of the country constrains individual investment in erosion control. Fragmentation varies between areas. In a recent study, the highest incidence was in Mbale where the median household held 5 plots (4 in Lira, 2 in Wakiso). The median distance between the home and land plots ranged from 0.25km to 1km. The main causes of subdivision and fragmentation were reported to be families selling off parts of their land to raise money, and traditional inheritance practices where land is divided between family members.

**Table 3.3: People's Perspectives on Land**

Major Area of Concern	Specific Areas of Concern
Small and unviable holdings	Land fragmentation and subdivision; inheritance practices; distress sales
Rights and management of some gazetted areas	Gazetted areas in Karamoja; Kasese district; National Parks; urban area in Kisoro; desire for community management of gazetted areas
Rights to and benefits from certain natural resources	Minerals such as Gold
Declining land productivity	Soil infertility; environmental degradation
Large landowners	Absentee land ownership; land grabbing by "big" people; inequalities in information allow those with knowledge to cheat those without; powerlessness against big landowning institutions, e.g. the Church; uncontrolled and high rents for rural and urban land
Women's land rights	Lack of inheritance; inability to prevent sales by men; disincentives to development of land they occupy; disinheritance of widows
Urban land	Long period of leases; non-enforcement of development conditions; lack of planning and services; high costs of survey and titling
Corruption and lack of transparency in land sector	Land dispute resolution

Sources: MWLE (2001b)

Farmers appreciate land consolidation but cited complicated ownership structures and lack of finances as the main obstacles to consolidation. 72 percent said they would be opposed to a mandatory government consolidation program, with the main reason being strong ancestral ties to the land and lack of trust in the government (Rural Development Institute, 2002).

Progress in land policy implementation and the key challenges are presented in Box 3C.

### iii) Fisheries

Fisheries activities contribute significantly to rural livelihoods for many people in Uganda in terms of protein supply and as an important source of income. In 2001, fish and fish products accounted for 17.30 percent<sup>11</sup> of total exports having risen from 7.67 percent in 2000 (Background to the Budget 2002). This places fish as the second most important export commodity for Uganda after coffee.

The fish sub-sector's rapid growth was brought to a halt by the ban on imports into the European Union imposed by the EC in 1998, arising from the use of illegal fishing methods.

<sup>11</sup>2001 figures are provisional.



### **Box 3C: Land**

**Policy Objective:** Provide security of tenure for all Ugandans, particularly the poor and create an enabling environment for participation of all stakeholders in effective planning, management and use of Uganda's land resources.

#### **Priority actions**

- i) Implement the provisions of the Land Act to deal with disputes and strengthen the land rights of the poor, especially widows and orphans.
- ii) Implement the Land Sector Strategic Plan (LSSP)
- iii) Formulate a national land use policy
- iv) Undertake institutional reforms in the land registry
- v) Build capacity of local governments for land administration and management.

#### **Status of implementation**

- The LSSP that was developed in 2001 has been approved for implementation during the next 10 years beginning in the FY 2002/03. The staffing plan has been agreed upon and recruitment is ongoing.
- Guidelines for flow of funds to districts and land boards have been agreed upon.
- MWLE has prepared draft proposals for action on land – gender and common property issues.
- A Land Use Policy Working Group was constituted and is spearheading the process of formulating the National Land Policy and Land Use Policy that is under way.

#### **Key issues**

##### **Gender**

Recent studies conclude that unequal gender relations constrain the ability of the poor to raise their incomes and are likely to reduce the effectiveness of efforts to stimulate new export-oriented production:

- intra-household poverty is increased because resources owned by or entering the household are not used for the benefit of the whole household; instead they are largely used for the benefit of men (Eilor and Giovarelli 2002; MFPED 2003). This led communities in PPA2 to identify women as a vulnerable group;
- widowed, divorced or abandoned women are extremely economically vulnerable (Keller 2002; Eilor and Giovarelli, MFPED 2003);
- overall agricultural productivity is reduced because women are 'overburdened' by productive and reproductive duties, while men are 'under burdened' (MFPED 2003);
- women lack incentives to adopt and plant cash crops because they do not control income resulting from production (Keller 2002; Booth et al 2002).

#### **Challenges and opportunities**

- i) The LSSP study found that recent legal changes under the Land Act aimed at strengthening land rights of married women, dependent children and orphans through the requirement of consent to transactions on family land have had little effect on the ground.
- ii) More secure and formalized tenure would raise investment levels and increase the marketability of land. Development of land markets could contribute to equity and enhance agricultural productivity and household welfare.
- iii) The 2001 PSR notes the need to 'revisit' 'with caution' the issue of co-ownership of family land, suggesting that it may be desirable to have co-ownership with a progressively increasing share of property up to 50%, depending on years of marriage.

Substantial efforts made to improve facilities at the landing sites and hygiene in processing factories resulted in the lifting of the ban in 2001 which then saw the sector gradually growing.

In the majority of lakes in Uganda, catch rates have declined in recent years due to over fishing, pollution and use of illegal nets. This evidence is corroborated by findings from the recent participatory assessment (MFPED, 2003). A lack of involvement of poor people in managing and preserving the resources was cited as a key problem. Attempts to manage Lake Victoria on a regional basis are now emerging through the efforts of the East African Community and its Victoria Fisheries Organization. Critical challenges faced are:

- The inadequate legal and regulatory framework for fisheries and aquaculture
- High levels of post harvest losses and multiple taxation at all levels.
- Women and the poor (such as boat crews) have less access to capture fisheries due to problems with licensing and multiple taxation systems

A Fisheries Policy was tabled to cabinet six months ago and contains the guiding principles for the sustainable development of the Fisheries sector. The Fisheries Sector Strategic Plan 2003 has also been drafted. One unique opportunity of international significance in Uganda is the granting of decentralized legal powers, through the Beach Management Units (BMUs), to local people for sustainable utilization and management of aquatic resources. The BMU Statute is expected to be passed in 2003.

#### **iv) Wetlands**

Wetlands provide direct income opportunities to rural people and indirect benefits in form of environmental goods and services that improve the quality of living conditions of rural population (e.g., water storage, purification, flood control). In terms of contribution to poverty reduction, the direct and to a lesser extent the indirect values are most important. Human activities based on natural wetlands resources generate a wide range of products that are consumed locally or traded over hundreds of kilometers.

While the quantification of the foregoing benefits has been difficult, some examples are quite illustrative. The urban poor living around the wetlands of Kampala are reported to be generating revenue in excess of \$100,000 through crop cultivation, papyrus harvesting, brick making and fishing. In rural areas, households engaged in papyrus harvesting are estimated to be deriving as much as \$200/year each from their wetland activities

Impressive as these figures are, they pale when compared to the value of wetlands as water supply sources. Five million Ugandans have been estimated to depend on wetlands for their water supply. Using very conservative figures for per capita water consumption, this means at least 50 million liters a day. At commercial prices for rural water, this amounts to at least 4 25 million annually.

Access to wetlands in Uganda has largely been affected by population increase and urban development. The intensity of degradation varies across regions with the South western region being most affected. The resultant effect of wetland conversion is a general decline in resource productivity, changes in water flow intensity (resulting in severe flooding), damage to infrastructure, increase in water-borne diseases and change in micro-climate conditions and loss in biodiversity.

The planning framework for wetland management, the 2001 Wetlands Sector Strategic Plan (WSSP) has been put in place with other supportive policies at the district and community level. But issues relating to ownership and use of wetlands are many, complex and remain unresolved. This has led to 'silent resistance' to policies of wise use. In addition, structures and mechanisms for enforcing laws and regulations concerning wetlands are weak especially at district and community levels. Future implementation should focus on resolving some of these challenges including harmonizing wetland policy and legislation with the PMA, protection of vital wetlands and training local government officials in wetland management.

#### **v) Wildlife**

Wildlife protected areas occupy 14% of total land area in Uganda. Wildlife provides food and opportunities for investment by the rural people through tourism-based enterprises. Wildlife populations in Uganda have been on the decline in most national parks (except the Queen Elizabeth protected area), wildlife reserves and controlled hunting areas due to poaching and hunting.

Over the past decade, the wildlife policies have been reviewed to accommodate the community access to certain resources within the protected areas. The 1995 Wildlife Policy provides for sharing of revenue accrued from tourism between the Uganda Wildlife Authority and the districts, and permits collaborative management of wildlife resources with communities. The UWA statute (1996) provides for Wildlife User Rights (game farming, game ranching, sport hunting among others).

However the following challenges affecting access remain: over-dependence of local communities on protected area resources; problem animals and vermin that cause damage to crops and people's investments; weak capacity to effectively manage the Wildlife User rights program, collaborative management arrangements and revenue sharing scheme with Districts and poor infrastructure and management of tourism as a source of revenue.

#### **vi) Water for Production**

Presently, food security and financial returns to farmers are continually threatened by the dependence on rain-fed agriculture. The potential for irrigation is estimated to be over 400,000 ha but very little of this potential has been developed. For livestock, interventions have mainly focused on the provision of valley dams in the Karamoja region. The total installed capacity during the period 1999 to 2001 is shown in Table 3.4.

**Table 3.4: Reservoirs constructed during 1999 - 2001**

District	Type	Total capacity installed (cubic meters)	Cattle heads served
Nakapiripirit	3 Valley Tanks, 1 Dam	121,500	22,406
Moroto	3 Dams	261,000	48,332
Kotido	2 Dams	721,000	133,518
<b>Total</b>		<b>1,103,500</b>	<b>204,256</b>

Source: Directorate of Water Development, Status Report on Dams and Valley Tanks, October 16, 2001.

The above sources meet only 15.3 percent of the current livestock water demand. The main challenge is that the approach used in providing valley dams has tended to be top-down which is likely to undermine the districts capacity to maintain this infrastructure and may limit acceptability within communities.

Demands for water for aquaculture is high, but there are still many constraints to overcome. Techniques for fish spawning need to be approved and institutional problems around ownership of fish ponds are equally challenging. Small scale aquaculture has the most potential in northern and north eastern Uganda where high temperatures contribute to high productivity. The development of a National Fisheries Sector Strategic Plan in 2003 will also cover the issues pertaining to aquaculture.

Levels of access to water for production are constrained by absence of credit for small farmers, inadequate technical capacity at district level for irrigation, aquaculture and fish farming and a weak legal and policy framework. In particular is the lack of a separate Water for Production Policy and a strategic Investment Plan.

### **3.3.2 Access to physical infrastructure**

Infrastructure that has direct impact on poor people's livelihoods that is covered in this section includes rural roads, rural electrification and markets.

#### **a) Rural roads**

Rural roads are important for poverty alleviation because they open up rural areas to wider markets, social services, access to production inputs and create opportunities for competition, reduced transport costs and incentives for innovation. These in turn translate into lower costs of production, increased productivity and better farm gate prices. Since 1990, a lot of public investments have gone into building and maintaining the national road network, which has resulted in an increase in the percentage of roads in 'fair' to 'good' condition from 50 percent in 1990 to approximately 70 percent in 1999. However, this overall improvement has not been as well represented in the district roads. A review of the progress in policy implementation, beneficiary satisfaction and constraints and challenges in the rural roads sector is presented in Box 3D (See Annex 3).

**b) Rural energy**

Improved access to energy has direct poverty impacts. Access to electricity supply raises rural incomes by permitting the introduction of new technologies and services, which expand the range of productive opportunities in rural areas. The quality, reliability and access to power have been identified as major impediments to sustained investment and growth in Uganda in the 1998 Private investment Survey. A major thrust of government's power sector reform strategy has been to shift away from the public provision of power by the Uganda Electricity Board (UEB), towards the private provision of services governed by an independent Electricity Regulatory Agency. This approach focuses on improving the efficiency of electricity provision. Actions that have been taken so far in the sector to fulfill the priority policy actions for rural electrification are discussed in Box 3E.

### **Box 3D: Rural Roads**

**Policy Objective:** Improving access to rural areas to support development of rural markets and increase access to social services.

#### **Priority actions**

- i) Ensuring that the full road network is well maintained and is in good condition
- ii) Promoting labour-intensive works especially encouraging the participation of women.
- iii) Promotion of low cost means of transport for the poor.
- iv) Building local government capacity to maintain district and community roads

#### **Status of Implementation**

- By 2000, 40% of the district roads were in poor condition, 40% in fair condition and 20% in good condition (PSR, 2001). Currently, virtually all district and community roads remain unpaved (MFPED/MoWHC, 2002).
- Government has rolled over the first 10 year Road Sector Development Plan RSDPI (1996/97-2005/06) to the second 10 year RSDP2 (2001/02 – 2010/11).
- In 2001, the White Paper on Sustainable Maintenance of District, Urban and Community Access Roads (DUCAR) was developed.
- A 10-year District Road Development Programme (DRDP) is being developed to operationalise the DUCAR.
- Further investments have been put in community access roads, village bridges and footpaths under the LGDP and NSCG.

#### **Beneficiary satisfaction**

Overall, more than three quarters (77.8 percent) of households interviewed in Uganda<sup>50</sup> were reported to be within 5 km from the nearest all weather roads by 2000 (MOPS, 2001). Kapchorwa, Kitgum, Kotido and Bugiri have the lowest percentage of households with an all weather road within their vicinity. Improvement in public transport services and road maintenance since 1995 was reported in the majority of districts in Uganda except in some parts of Northern Uganda (see Annex 3. PPA finds show that poor roads continue to be a major problem in many rural and urban areas; but also that roads in themselves are insufficient in bringing development because some areas that have well constructed roads still face limited access to social services. Roads need to be developed in tandem with other supportive infrastructure like markets and communications and security must be guaranteed.

#### **Challenges and constraints**

- Limited works execution due to over-reliance on capital intensive technologies, poor management of road equipment and lack of systematic road inventory and associated data for planning.
- Sub-standard quality of works reported in some parts of the country due to inadequate supervision and monitoring and poor performance of contractors appointed by the District Tender Boards.
- Lack of involvement and participation of lower local governments and communities in tender award and road works leads to poor road construction and maintenance.
- In many cases, the objective of involving local groups such as youth and women in road works has not been realized.
- Misuse of funds or allocations to favoured parts of the district following ethnicity, politics, etc.
- Road maintenance is complicated by excessive restrictions on the use of PAF funds.

<sup>50</sup> Total sample size was 13,604 households countrywide.

### Box 3E: Rural energy

**Policy Objective:** Improve the quality of life in rural areas and facilitate rural non-farm income by accelerating access to rural electricity from about 1% in 2000 to 10% by 2010, through public and private participation and other forms of energy.

#### Priority actions

- i) Expanding access to reliable energy, especially electricity, for households and social infrastructure such as schools, hospitals, clinics and water systems through the Energy for Rural Transformation (ERT) Programme.
- ii) Promoting development and use of indigenous, renewable energy sources on a cost-effective basis.
- iii) Develop the information/communication technologies (ICT) sectors to contribute significantly to rural transformation
- iv) Supporting the private sector and local governments to build, own and operate electricity generation plants through provision of Smart Subsidies.
- iv) Putting in place the necessary policy, legal and regulatory framework

#### Status of implementation

- The Electricity Act was enacted in 1999 and the Electricity Regulatory Authority was established in 2000 to regulate the industry
- Electricity tariffs were raised in 2001 to improve the power sector's financial viability
- The Uganda Electricity Board has been unbundled into generation, transmission and distribution companies. Generation and distribution businesses are leased out to private operators on long-term concession while transmission will remain a public function in the medium term.
- The 10 year Rural Electrification Strategy (2001-2010) was adopted in February 2001 while the new Energy Policy was put in place in 2002.
- The Government is engaged in negotiations with potential sponsors (Eskom and CDC Globec) on the concessioning of the Uganda Electricity Generation Company; investigations are still ongoing in allegations of impropriety in the Bujagali Hydropower Project, which when put back on track, will have 200MW of hydropower generation installed.
- 80MW of generation will be installed at the Kiira hydropower Plant.
- The ERT Programme components are in early stages of implementation using a multisectoral approach involving the Ministry of Energy and Mineral Development and Rural Electrification Agency, Uganda Communications Commission, bank of Uganda, Private Sector Foundation, Private Sector and Ministries of Agriculture, Health, Education, Water and Local Government.

#### Level of access

- The electrification rate is very low with grid access by only 5 percent for the whole country and less than 2 percent in rural areas. Another 1 percent of the population provides itself with electricity using diesel and petrol generators, car batteries and solar photovoltaic systems.
- Out of 257 planned lines since 2000, over 110 have been completed.
- Electricity is used as follows: residential (55 percent), commercial (24 percent), industrial (20 percent) and street lighting (1 percent). About 72 percent of the total grid supplied electricity is consumed by 12 percent of the domestic population in Kampala, Entebbe and Jinja.

### c) **Markets**

Improved access to markets remains a key challenge for farmers in Uganda. Most farmers in Uganda sell less than 50 percent of their produce and this is done mainly at the farm gate. Between 1997 and 2000, some improvement was noted in access to the limited consumer markets at the national level and for the eastern and central regions. Communities, except in the North, were reported to be within a kilometer from these markets.

The 2001/2002 PPA draws attention to the fact that poor people continue to face problems in processing, storing and marketing their agricultural produce. Lack of markets was one of the most frequently cited causes of poverty, reported by farmers in urban and rural areas as well as villages with good infrastructure and those that in more remote areas (MFPED, 2003). People pointed out that marketing problems lead to low prices and reduce incentives for them to invest in agriculture. Exploitation by traders, poor roads, unfavorable tax regime, lack of market information, unequal gender relations and lack of effective farmer organization were identified as the major causes of marketing problems.

Heavy and multiple market dues eat into profits and are leading people to abandon selling in formal markets, while licensing requirements and taxes hamper inter-district trade (MFPED, 2003). The PPA and the study by Ellis and Bahigwa (2001) indicate that the multiplicity of local taxes, levies and market dues, and the level of arbitrariness and abuse in the administration of local tax systems, are stifling rural businesses, making life harder for poor people and making taxes difficult to collect. Further study is warranted on the extent to which local taxes are undermining people's efforts to trade and diversify their incomes.

See section 3.3.4 for further details on policy strategies to address marketing problems.

#### **3.3.3 Access to Financial Services (Micro-finance)**

It is estimated that about 43 percent of Uganda's population have no access to financial services, with the unmet need being greatest in the rural areas. A national survey of MFIs was conducted in 2002 to increase accessibility to information on the micro finance industry. This entailed visiting at least 4 institutions at sub-county level in each of the 56 districts. Annex 4 provides the relative spread of MFIs and borrowers by district and sex.

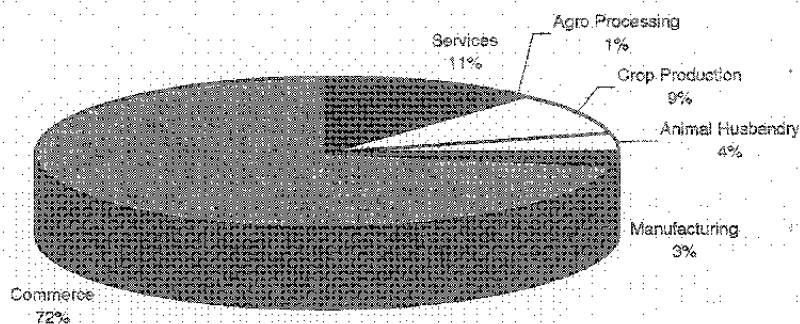
Preliminary findings indicate that women dominate most of the services offered in MFIs. About 69.1 percent of the active borrowers in all the sampled institutions are females and 31.9 percent are male; and 56 percent of the active savers are female while 44 percent are male. Female borrowers also are dominant in all categories of economic activities. They account for 72.4 percent of borrowers in commerce, 63.2 percent in services, 60.5 percent in animal husbandry and 47.7 percent in manufacturing.



However, dominance of women in the MFI industry does not necessarily mean that the objectives of poverty reduction in relation to gender equality have been met. First of all, the average loan size is quite small for engagement in large income generating activities and saving is still limited. The average loan size in all categories of institutions was 262,533 shillings (about US\$ 140) and the average saving volume was at 160,713 shillings (about US\$ 87). Secondly, most MFIs are located in urban centers with good infrastructure which implies that the majority of women living in rural areas are not served.

The majority of MFIs mainly support commerce as shown in Figure 3.4. Regional disparities exist in the spread of MFIs with some districts in the Northern and Eastern parts of the country being least served. In particular, newly created districts have low MFI coverage.

Fig 3.4: Share of Borrowers by Economic Activity



Source: MFPED, 2002b.

Most of these of these MFIs (63.7 percent) fall within the category of small institutions, which include multipurpose NGOs, cooperatives and informal organizations. This category of MFIs are limited by liquidity hence unable to provide larger sums for a longer period, which grossly affects the ability of non-farm activities to expand. They require collateral and character assessment given that the loan portfolio at risk is well above 25 percent. If they are to operate efficiently, these small MFIs require capacity building in the area of book keeping, financial and business management, product development and diversification, improving their management information systems, building their asset base and applying the best practices in the industry.

Progress in policy implementation in availing financial services to the poor is presented in Box 3F.

### Box 3F: Financial services for the Poor

**Policy Objective:** Facilitating the provision of financial services to the poor through promotion of growth of Micro financial Institutions (MFIs) and village rural banks; provision of the appropriate legal and policy environment and capacity building.

#### Priority Actions

- i) Capacity building and product development of MFIs
- ii) Promotion of capable private sector providers
- iii) Ensuring an enabling policy and regulatory environment

#### Status of implementation

- The Micro-Finance Deposit Taking Institutions (MDI) Bill was passed by Parliament in November 2002. The Act arising from the Bill spells out operations of micro deposit taking institutions and enables MFIs to become licensed to intermediate savings.
- A three-year Rural Financial Services Outreach Programme has been developed under the auspices of the MFPED in collaboration with micro finance practitioners. It has already been approved by Cabinet. The programme, which will be funded by a consortium of donors at a total cost of Ushs. 16 billion, will be implemented from FY 2003/04.
- A complementary IFAD funded Rural Financial Services Programme has been appraised and successfully negotiated, although effectiveness has been delayed by the failure of Cabinet to submit it for passage by Parliament. The seven year programme will be implemented with effect from FY 2003/04.
- These program will assist in: a) Capacity building of micro-finance institutions, especially in rural areas b) Demand-driven training of MFIs staff and clientele c) Product development and promotion for agricultural finance d) Achieving increased access to rural financial services e) Building business culture amongst rural borrowers

### 3.3.4 Access to Human Capital

Access to human capital is substantively discussed in Chapter 4 under the education and health section as well as in section 3.4.4 on agricultural education. This section mainly focuses on HIV/AIDS as one of the major challenges to raising household incomes (also see section 4.6).

#### a) Impacts of HIV/AIDS on rural livelihoods

In Uganda, the estimated number of people living with HIV/AIDS as of December 2001 is 1,050,555 and the estimated cumulative deaths since the beginning of the epidemic is 947,552 (Surveillance reports). Food insecurity, degraded livelihoods, increased vulnerability and adverse socio-economic impacts have been identified in many instances as *causes* and *consequences* of HIV/ AIDS. Different impacts on different livelihood groups by HIV/AIDS have been observed in the country:

- **Reduced labour supply and productivity:** especially on the most productive segment of the population, loss of skilled labour and the agricultural knowledge base. The reduced capacity for agricultural output results in food insecurity, low incomes and poverty.
- **High opportunity costs:** the loss of time and money attending to the sick, poor performance on the job by those already infected and cost of burials.
- **Increased dependency ratios:** number of orphans left behind by the loss of parents has increased placing excessive burdens on individuals and household economies;
- There are different **gender and age dimensions of this impact:** there has been an increase in grandparent - , widow – and youth/ orphan headed households.
- **Loss of Assets:** household assets are liquidated to meet medical and other costs.
- **Low investment in the agricultural sector:** as the limited resources are diverted to caring for the sick and funeral expenses.
- **Reduced production for the market:** people produce at subsistence levels, which affects the urban consumers and downstream industries.

In totality, HIV/AIDS threatens the attainment of the PMA's objectives. There is a need therefore to better integrate HIV/AIDS activities into the planning, implementation, monitoring and evaluation of PMA activities. Some policies unwittingly increase vulnerabilities to infection while others fail to capitalize on mitigating it. There is an overall lack of coordination with many initiatives on-going. However, Government has recognized the need for increased support programs that go beyond increased awareness and knowledge about AIDS. Sectors such as agriculture are mainstreaming HIV/AIDS messages into their extension programs. Other efforts to contain the epidemic are discussed in chapter 4.

### **3.3.5 Access to social assets**

Formation of farmers' groups under the NAADS program is one of the social assets through which poor people can increase their incomes. Progress in this area is discussed in section 3.4.1.

## **3.4 Improving returns to assets**

Most poor people have some assets that are often undeveloped, generate low incomes and are usually too small to be exploited to their full potential. They need to be enabled to increase the productivity and returns to their assets through having access to services and technological packages that are appropriate to their needs. Several policy initiatives have been taken by government to enhance the returns to poor people's assets through extension services, enhancing marketing opportunities and increasing access to micro-finance, technologies and agricultural education. Other key areas that also enhance returns to assets include the environment and natural resource, rural infrastructure and finance have already been covered in section 3.3.

### **3.4.1 Relevance and Effectiveness of Agricultural Advisory Services**

Delivery of agricultural extension services in Uganda has not been satisfactory with only a limited number of households in a few districts being able to access these services (MOPS, 2001). Lack of extension staff, inadequate facilitation, poor qualifications and corruption have been sited as some of the reasons why the extension staff system in Uganda does not perform. The 2001/2002 PPA strongly highlighted the continued inadequacy of agricultural advisory services in many villages in the 12 districts (NAADS was not yet functional in the sampled villages). As a result, people reported that they do not know how to improve yields, control crop pests, or crop and livestock diseases, and avoid soil exhaustion (MFPED, 2002).

Given the importance of agriculture to the economy (see section 1.1) government has placed greater emphasis on strengthening the agricultural extension delivery system. Provision of Agricultural Advisory Services to farmers is one of the key priority areas of the PMA. Under the PMA, the National Agricultural Advisory Services (NAADS) program was designed to improve relevance and effectiveness of the advisory services. Progress in implementation of this program is reviewed in Box 3G.

### **3.4.2 Agricultural Research and Technology Development**

Although the Uganda agricultural research system has been playing a key role in technology generation as evidenced by technologies generated in the coffee, cassava, beans, maize and horticulture sectors, the level of adoption of technologies and their performance at farm level have been, in most cases disappointing.

It has become apparent that in light of the PMA principles, there is need to reform the institutional arrangements under which research services are being provided. The recently completed review of the National Agricultural Research System (NARS) recommends an overhaul of the existing arrangements to allow for greater participation of lower level structures (communities and local governments) in defining and funding research programs. It also proposes the separation of the funding and implementation of research through competitive grants arrangements and the establishment of an apex body – a new National Agricultural Research Organization - with the mandate to ensure the funding of the entire NARS (which comprises public, private, NGO and university institutions).

### **Box 3G: Agricultural Advisory Services**

**Policy Objective:** To establish a decentralized, farmer-owned and private sector serviced extension delivery system, particularly targeting the poor and women.

#### **Priority actions**

- i) Restructuring the existing public extension service system from public to private service delivery; to involve halting existing extension services; train farmers and old and new extension workers;
- ii) Formation of farmer fora at sub-county level and channeling funds to them to contract services of farm advisors
- iii) Rolling out the NAADS program to cover 21 districts during 2003/04

#### **Status of implementation**

- NAADS program became operational in July 2001 in 24 sub counties in 6 pilot districts (Tororo, Arua, Mukono, Kibaale, Soroti and Kabale) and has been rolled out to a total of 100 sub counties in 16 districts (additional districts covered are Wakiso, Luwero, Iganga, Kapchorwa, Lira, Kitgum, Kabarole, Bushenyi, Busia and Mbarara)
- Over 960 farmer groups registered in the 6 pilot districts, advisory service providers have been identified and contracts signed with them.
- Information and Communication Framework has been developed as well as ICT strategies at all levels; sub-county procurement sub-committees have been established
- Traditional National Agricultural Extension Programme continues to operate in most districts.
- Inventory of potential private sector service providers has been compiled
- Over 320 agricultural services have been contracted by farmers since 2001

#### **Key issues**

##### **Gender and equity**

In the few areas where services are available, service provision is biased towards the better off and excludes women, a situation that is confirmed by extension agents who noted that they are forced to select above-average farmers to work with, because '*government emphasizes results.*' This then places a challenge for Government to ensure that NAADS expands further to the non-program area and strengthens mechanisms to reach out to the poor farmers.

##### **Constraints and Challenges**

- Overwhelming demand to have NAADS rollout to all districts and sub-counties that is constrained by resources and the need to learn from the two-year pilot phase.
- The Ministry of Public Service (MOPS) is yet to complete the restructuring and staffing of local government structures to meet the NAADS staffing requirements.
- Ensuring that the objective of NAADS to also reaching out to the poor farmers is realized.
- To ensure that GoU and donor resources that continue to flow in the old extension system in the majority of districts are harmonized with the principles and learn the lessons of NAADS.
- Harmonizing policy initiatives under NAADS with those occurring in the environment and natural resource sector.

Cabinet has approved a Research Policy, incorporating the new proposals. A Core Implementation Team has been put in place by MAAIF, to draft a new research Bill, which will guide the implementation of the new proposals. This will then ensure that technology development is linked to the market.

### **3.4.3 Agro-processing and Marketing**

Strengthening agro-processing and marketing is one of the seven priority intervention areas within the PMA aimed at increasing returns to the poor's assets. A Marketing and Agro-Processing Strategy (MAPS) has been designed to deal with the numerous marketing problems facing the majority of farmers in Uganda (refer to section 3.3.2 c). Efforts undertaken so far to improve the poor's access to markets are presented in Box 3H.

### **Box 3H: Agricultural marketing and agro-processing**

**Policy objective: To promote market access for farmers**

#### **Priority intervention areas**

- i) Improving access to local, regional and international markets
- ii) Improving capacity to undertake trade negotiations and access to financing
- iii) Improving rural contract law
- iii) Producer support: provision of market information to farmers and traders, improved technologies; improved farmer organization.
- iv) Infrastructure development

#### **Status of implementation**

- A Strategy for Agricultural Marketing and Agro-processing under the PMA has been developed and many areas within it are in early stages of implementation
- A Strategic Exports Initiative was launched in September 2001 to 'catalyze and kick start' this export-led strategy. Achievements include opening of Uganda Coffee Shops in China, skills development for women, textile and garment production, ICT programmers.
- Work has began to develop a comprehensive national trade policy and building capacity of key staff in public sector bodies to engage effectively in trade negotiations.
- The national market information service (MIS) has operated since 1999 providing information on prices and traded volumes of agricultural commodities, road conditions, import and export activities, etc. Its effectiveness is limited by multiple languages, low literacy levels and remoteness.
- Infrastructure is being developed under the MTCS and PMA.
- Efforts are underway to take advantage of the USA market through the African Growth and Opportunity Act (AGOA). Garments are being exported under this program
- Uganda has a registered Agricultural Commodity Exchange, the Uganda Commodity Exchange.
- The Warehouse Receipt System Bill will be operationalized during 2003/04.

#### **Gender issues**

The Social impact Analysis of Strategic Export Initiative (Booth et al, 2002) has drawn attention to two important micro-level constraints to increasing export crop production that arise from unequal gender relations:

- Lack of labour availability: most women lack time to take on new activities or increase small-holder commercialized production
- Lack of incentives amongst women to increase cash crop production because women do not control income from crop sales.

#### **Constraints and challenges**

- Limited national capacity to negotiate in international fora and to analyse trade issues
- High cost of funds and the lack of long-term finance
- Lack of market information; poor quality produce and lack of organizations
- Inefficient transport systems, inadequate access to electricity and a poor legal and regulatory framework.
- An improved institutional arrangement for coordinating and monitoring impact of the Strategic Exports Program is essential to ensure that this initiative does not undermine the PMA and it also achieves a poverty focus.
- Uganda has yet to establish herself as a reliable supplier of high quality products and volumes as demanded by the market.

#### **3.4.4 Agricultural Education**

Farmers' ability to read and write is an essential requirement for technology adoption and making decisions about what, how and how much to produce and for what purpose. The transfer of agricultural colleges from Ministry of Agriculture, Animal Industry and Fisheries, (MAAIF) to Ministry of Education and Sports (MOES) in the late 1990s has left most of the institutions detached from the mainstream MOES budgets, especially the Education Sector Investment Plan (ESIP). Donor programs such as the DANIDA funded agricultural education component of the Agricultural Sector Program Support are not integrated into the ESIP. Surveys on the demand for and placement of the current graduates of agricultural colleges indicated that they are not well suited for the jobs available in the agricultural sector. Staffing, curriculum and educational structures are inadequate and require rehabilitation.

These challenges arise because there is no agricultural education policy to guide the sector. Funds have been set aside for the development of a unified Agricultural Education Strategic Plan during 2002/03 and work has already been initiated in the MOES. The second volume of the new primary school curriculum was launched and capacity is being built for its effective implementation. Rehabilitation of Bukalasa and Arapai colleges is on going. In addition, opportunities for private sector owned institutions are emerging and could hold the key to the evolution of demand-led training programs.

#### **3.4.5 Non-sectoral Conditional Grant**

One of the ways in which government is trying to enhance poor people's access to assets while at the same time enhancing the returns to these assets is through the Non- sectoral Conditional Grant (NSCG). The NSCG was designed to deepen decentralisation by empowering local communities (at sub-county level and below) financially to address poverty-focused constraints within their localities. This facility has been operating for three financial years beginning in 2000/01 in 24 districts.

As many of the constraints that rural communities face in agriculture lie outside the agricultural sector, the use of the NSCG is not restricted only to agricultural production projects. The grant should be used for the benefit of the whole community, including specifically small, poor producers. NSCG guidelines have been issued to the local governments, which have undergone sensitization and capacity building in the use of the grant.

The PMA Secretariat reports marked improvement in the following: planning, participation and utilisation of the NSCG at community level in production and extension; natural resource management; rural infrastructure; communal and group agricultural equipment; pest and disease control; group formation; training in farming skills and enhancing participatory planning at the lower local government levels. Key challenges highlighted in implementation are the small amounts of grants that are always



disbursed late, inadequate understanding of the multi-sectoral nature of the grant among stakeholders and inadequate capacity at local government level.

Information collected in PPA2 on the first disbursement of the NSCG indicated that the non-sectoral nature of the grant was not well understood, there was very little consultation on how to use the grant and that the poor did not benefit from the use of the grant.

### 3.5 Agricultural production

#### 3.5.1 Crops

The crop sector accounts for more than 70 percent of total employment in the agricultural sector and hence improving returns in this sector holds a key to poverty reduction. Food crop production predominates, contributing approximately two-thirds of agricultural GDP, while the livestock sub-sector provided 16 per cent in 2001/02, cash crops a further 7 per cent, fisheries 9 per cent and forestry 6 per cent. Approximately 44 per cent of the sector's GDP is made up of commodities produced for home consumption, the proportion having declined only slightly since the mid-nineties.

Forty-five per cent of food crops (by value) are marketed, compared with two-thirds of livestock and livestock products and more than 90 per cent of fish. The Uganda National Household Survey shows that, by 1999, even small producers were well integrated into the market, with 76 per cent of them participating in the market involving the sale of at least a portion of their farm output.

Coffee is the most widely grown cash crop – there are approximately 1.50 million households in at least 38 Districts growing the crop. Other important cash crops include cotton, tea and tobacco, and sugarcane to some extent. Production of the principal cash crops since 2000 is detailed in Table 3.5.

**Table 3.5 : Traditional agricultural crop production, 1999 to 2002 (in tons)**

Year	Coffee	Cotton	Tea	Tobacco	Sugar
1999	251,881	14,482	24,739	20,864	
2000	143,475	21,290	29,236	22,837	137,787
2001	197,410	12,479	32,857	22,572	133,851
2002	201,600	-	33,800	34,700	

*Source: 2000 Statistical Abstract, Uganda Bureau of Statistics, June, 2000; 2001 Statistical Abstract, Uganda Bureau of Statistics, June 2001; Key Economic Indicators, 1st quarter 2002/03, Uganda Bureau of Statistics, November 2002; UCDA Monthly Report for December, UCDA, 2002.*

*Notes:* Figures relate to procurement/marketing of the crops which is a reliable proxy for production (certainly, more reliable than using export data, since these are net of local consumption – direct or for processing). Cotton figures are exports as local 'consumption' has been negligible. 2002 data are provisional, except for coffee.

Given the changing world market prices for agricultural export commodities, real growth rates for the sector have fluctuated considerably since the mid-nineties – between 1.1 per

cent and 6.8 per cent). Nevertheless, the average agricultural GDP growth rate over the five years to 2001/02 (5.3 per cent) exceeded that of the population over the same period – 3.3 per cent (UBoS, 2002b). See further details in chapter 1 section 1.2.

There has also been diversification within the agricultural sector itself, with earnings from non-traditional exports becoming increasingly important – rising from \$35 million in 1990/91, to \$147 million in 1997/98. The value of roses and plant cuttings' exports, for example, increased from zero in 1993, to approximately US\$ 21.13 million in 2002 (IDEA, 2003). A consequence of this is that the ratio of coffee receipts to non-traditional export earnings has been declining steadily. The star performer in the non-traditional exports field, has been fish which earned US\$ 78.15 million (80 per cent of the value of coffee exports) Further details on fisheries in section 3.3.1b (iii).

Nevertheless, in spite of the considerable potential shown by non-traditional export crops – in particular, by the new ones such as cut flowers, vanilla and spices – they are not yet produced in sufficient volume to make good the reduction in foreign exchange earnings from coffee. For example, in spite of the publicity surrounding the export of maize to southern Africa since December 2001, foreign exchange earnings arising from the 31,000 tons thus marketed amounted to only US\$ 3.61 million.

### **3.5.2 Livestock**

Livestock husbandry is becoming increasingly common, with cattle ownership, for example having increased from 12 percent of rural households in 1992 to more than one-fifth of rural households in 2000. Livestock numbers of major species are estimated at 5.6 million cattle, 5.8 goats, 0.9 sheep, 1.37 pigs and 22.7 million poultry, 0.115 rabbits (NBSAR, 1999). There has been a significant increase in exotics and hybrids over the past decade due to introductions and technology advancement in animal husbandry. The livestock sub-sector has shown the most consistent positive growth rates (4.4 percent and 5.7 percent in 2000/01 and 2001/02) as compared to the crop sub-sector whose growth rate has varied between –2.8 percent and 22.6 percent.

The PEAP notes that the GoU is committed to restoring the cattle stocks of poorer households in eastern and northern Uganda depleted by cattle rustling. Poverty Action Funds (PAF) funds are allocated for this program through the GoU budget. The PEAP notes that the economic rationale of the program is sound only if mechanisms are developed to target the poor.

However, in PPA2 the restocking program was condemned by all those who commented on it for benefiting only the better-off and well-connected. The lack of pro-poor focus in the program also appears to have undermined people's confidence that Government programmers can be implemented in a pro-poor manner. In May 2002, local bans on livestock marketing and movement were enforced in Karamoja under the disarmament program. These had negative impacts on the local economy, health, nutrition and food security (OAU/IBARCAPE, 2002).

In Moroto district, pastoralists complained that animal disease incidence has surged yet veterinary services generally are not available. Where they are available, they are not affordable by the poor people. In addition, access to communal grazing land is compromised by insecurity. These are issues that must receive attention from the relevant government and non-government agencies to create a situation that leads to further improvement in the performance of the livestock sector.

### **3.6 Future Policy Direction**

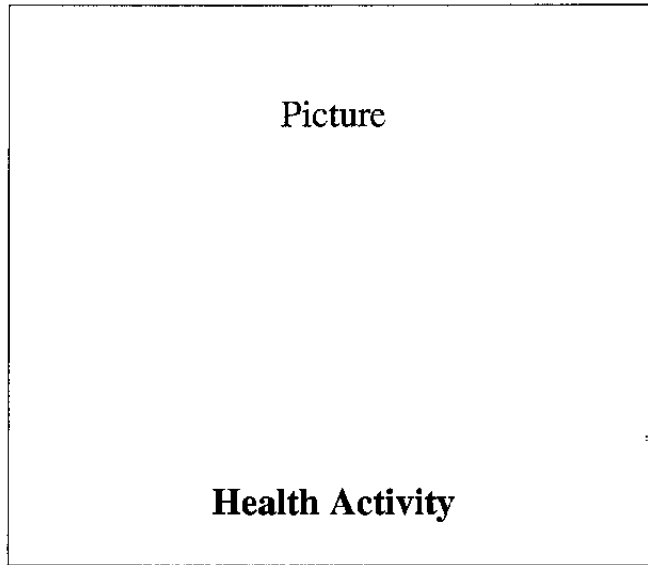
To ensure enhanced household incomes, there are some issues that have to be reviewed during the PEAP revision. These include.

1. Poverty diagnostics that clearly illustrate issues of chronic poverty among different socio-economic groups and how this can be addressed. This will bring to the fore the issue of universal strategies as compared to targeted interventions.

Effective integration of gender issues to ensure that the reproductive roles of women and/or their limited access to benefits do not hamper the intended supply responses in the productive sectors.

## CHAPTER 4

### IMPROVING THE QUALITY OF LIFE OF THE POOR



#### 4.1 INTRODUCTION

The ultimate objective in poverty reduction, is to have a quality life. Under this goal, government efforts are focused on the provision of basic health care, basic education, and water and sanitation. In addition, issues of sustainable use of the natural resources are given extra prominence in this chapter. This is because the quality of life that is being aspired for includes living in a clean/safe environment.

A new area of concern under quality of life is the issue of social protection. This is a rights based approach that recognises the fact that some vulnerable sections of the population may never take advantage of the opportunities availed by the PEAP strategies. It is a call for considering both efficiency and equity issues in the development agenda.

Previous assessments noted enhanced access to most of the social services albeit of poor quality. The same concerns were still echoed by the communities in the PPA2.

The chapter reviews the achievements in the strategies for improving the quality of life of the poor. It has 8 sub-sections. Sub-sections 4.1 – 4.4 explore progress in the health, HIV/AIDS, education and water and sanitation sub-sectors respectively. The sections 4.5 – 4.7 cover the cross-cutting issue of population, environment and social protection. The last section spells out future policy direction.

Emerging issues for improving quality of life of the poor

Major progress items

- (1) Enhanced demand driven health care services
- (2) Formulation of health development strategy to address issues of social protection

Key challenges

- (1) Poor quality of services provided in the health and education sub-sector
- (2) Low value for money expenditure in the water and education sub-sector
- (3) Inadequate funding particularly for the health sub-sector
- (4) Rapid population growth that is wiping out gains in improved social services

## 4.2 HEALTH

### 4.2.1. Health Policy Milestones

The Health Sector Strategic Plan (HSSP), defines a minimum health care package and a health care delivery mechanism for reducing ill health in the country. To assess achievements in the sector, five indicators are used (see Table 4.1).

**Table 4.1 :Health Performance against PEAP indicators over the period 1999/2000 to 2001/02**

Indicator	1999/00	2000/01	2001/02	2005 PEAP Target
OPD Attendance	.4	.43	0.60	.50
DPT3 Coverage (< 1 year)	41%	48%	65%	60%
Proportion of approved posts that are filled with trained staff	33%	40%	42%	50%
Deliveries in health units	25%	23%	19%	35%
HIV Prevalence	6.8%	6.1%	6.5%	5%

Source: Uganda Demographic and Health Survey 1995 and 2000/02; Poverty Monitoring and Evaluation Strategy 2002.

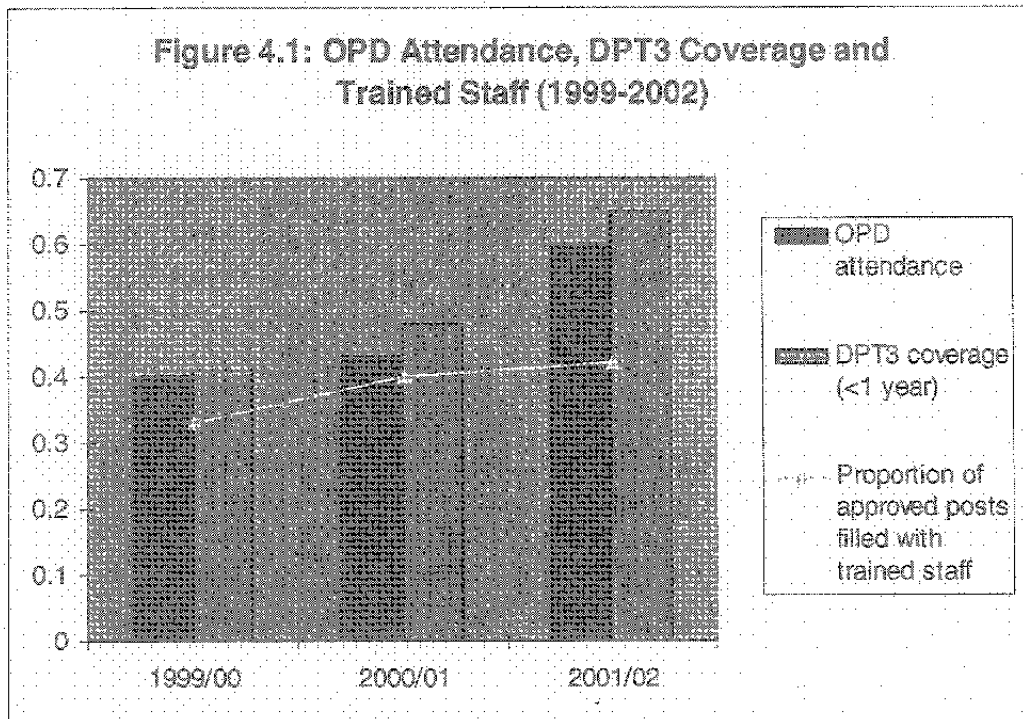
There have been a lot of improvements in OPD attendance and DPT 3 coverage (immunisation), even beyond the revised PEAP targets<sup>51,52</sup>. OPD attendance increased by 40% between the FY 2000/01 and 2001/02. The OPD attendance figures for 2002/03 are likely to be even higher than 2001/02, based on attendance figures for the last half of 2002<sup>53</sup>. In addition to the abolition of user fees this can be attributed to increased inputs, namely trained health workers and drugs (see Figure 4.1).

<sup>51</sup>

<sup>52</sup> the initial HSSP and PEAP targets were revised downwards due to resource constraints

<sup>53</sup> from the HMIS, and the WHO study on Abolition of User Fees

**Figure 4.1: OPD Attendance, DPT3 Coverage and Trained Staff (1999-2002)**



The recruitment targeted medical officers, nurses, midwives and other cadres to work in the lower level units. The number of health workers recruited since 1999/00 is 2,786, but this does not show as fast a rise in the proportion of approved posts that are filled with trained health workers as expected because of the construction of new health units. By December 2002, 4349 nursing aides (65% of all nursing aides in the country) had been trained and upgraded to nursing assistants, to improve quality of services at the lower level units. There was an increase in the drug budget from 0.8 per capita in 2000/01 to 1.2 per capita in 2001/02.

Immunisation coverage increased significantly from 41% in 1999/00 to 65% in 2001/02. In addition to the plan for the revitalisation of immunisation throughout the country, such an increase in immunisation coverage can be attributed to the overall increase in the utilisation of public and Private not-for-profit (PNFP) facilities.

The prevalence of HIV remained constant ranging between 6-7% during the period under review. The overall prevalence for 2001/02 is 6.5%. A more detailed discussion will follow in the HIV/AIDS section.

Notably, there has been a consistent reduction in the number of mothers delivering in public and PNFP units, from 25% in 1999/00 to 22% in 2000/01, and 19% in 2001/02. The Uganda Demographic and Health Survey (UDHS) 2000/01 reported all mothers who delivered under the supervision of a trained health worker<sup>54</sup> as 38% of all deliveries, which was the same proportion in 1995. This suggests that the proportion of mothers

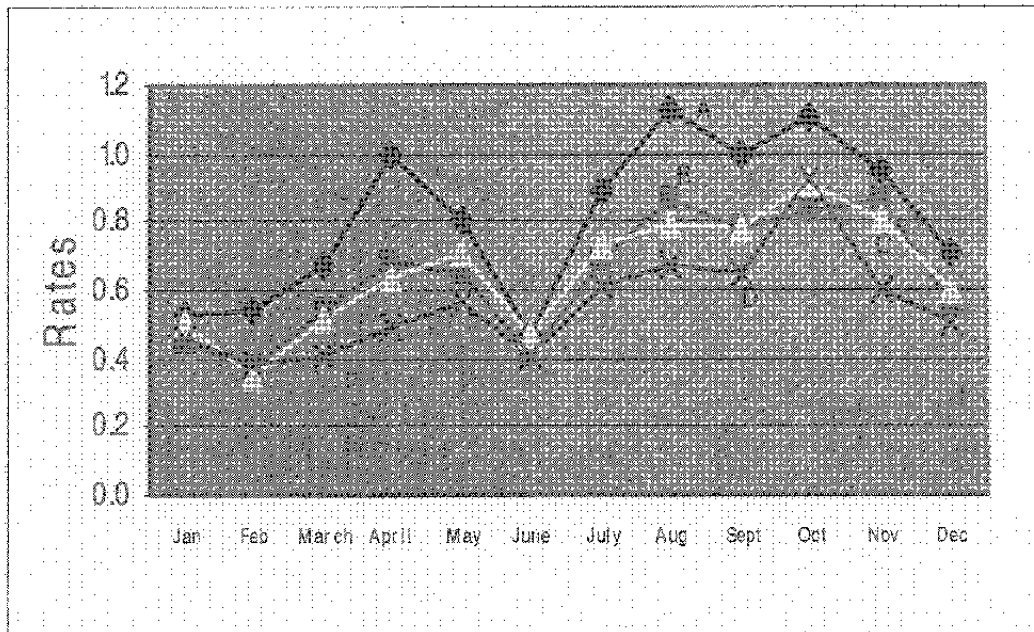
<sup>54</sup> this includes deliveries at private health facilities

delivering under supervision of trained personnel has stagnated over most of the last decade, and the portion of this taking place in the private sector is increasing. This partly explains the persistent high maternal mortality ratio.

#### 4.2.2 Utilisation of Health Services

The UDHS 2000/01 also showed that the rich, urban residents and the more educated were more likely to use health services than the poor, rural residents and uneducated. This can be attributed to better financial and geographical access to services, but in addition attitudes influenced by religion, culture and limited understanding of disease causation in the latter. More recent information, however, shows increasing use of health services by the poor. Figure 4.2 shows that there are more poor people receiving services from public lower level units than the rich, following abolition of cost sharing in these units.

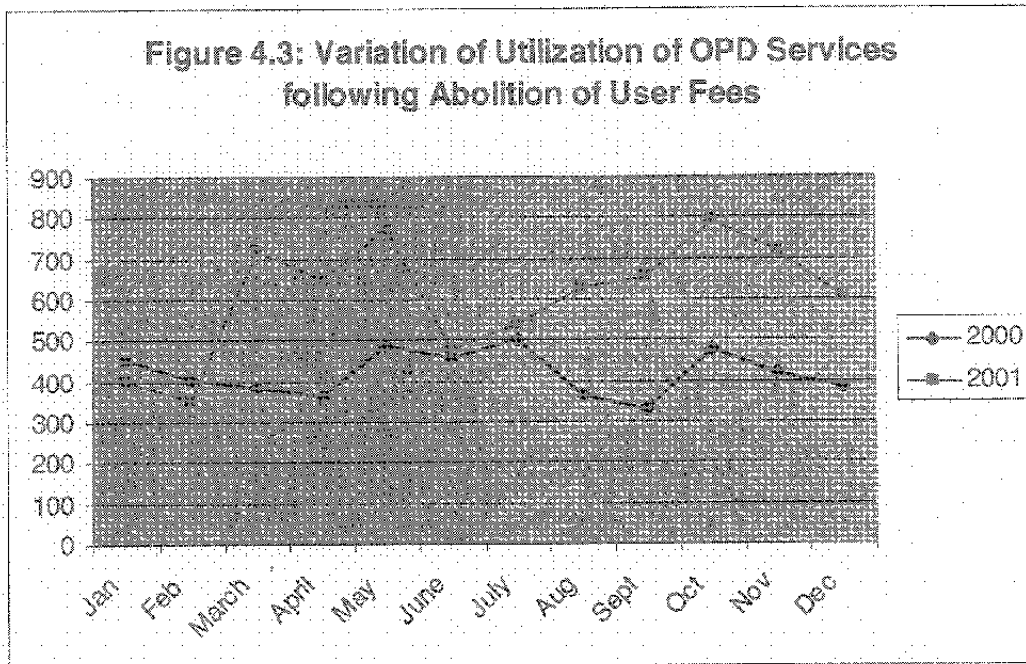
**Figure 4.2: Utilization of OPD services by different socio-economic groups at public lower level units, after abolition of User Fees**



Key: A = poorest; B = poor; C = better off; D = best off;

UDHS 2000/01 data point to cost, distance, limited availability of transport, and lack of information as the main barriers to health services. Cost of services was cited as the most common barrier in recent studies before abolition of User Fees.<sup>5</sup> The fact that removal or reduction of this barrier, through abolition of user fees in government units and reduction of fees in NGO units, has substantially increased utilization, supports this conclusion.<sup>6</sup> Figure 4.3 shows the variation of utilisation of OPD services before (2000) and after (2001) abolition of User Fees.<sup>7</sup>

**Figure 4.3: Variation of Utilization of OPD Services following Abolition of User Fees**



Such a pattern was noted in 54 public lower level units in 8 districts across the country in 2001, and was maintained in the FY 2001/02.

Analysis of utilisation patterns post user-fees abolition shows that once access barriers are removed (or greatly reduced), quality issues become more important. For example, utilisation of free OPD services is to a large extent determined by availability of drugs with utilisation rates fluctuating with drug supply. Once drug supply is more consistent, there is a sustained increase in OPD utilisation.<sup>8</sup> Figure 2 shows the variation within 2001, where declines in OPD utilisation can be associated to drug stock-outs.

The recent PPA findings noted shortages of drugs to be the biggest problem in health units now. The two essential drug kits provided to health centres for a three month period frequently run out of certain drugs in a matter of days. The shortage of drugs is exacerbated by the shortage of the means to administer them (i.e. syringes and needles) and often patients are asked to provide these things.

**Box 4.1 : Lack of Drugs is undermining free health care**

Abolition of user charges has enabled me and other poor members of the community to access treatment but when you go to a health unit there are mostly no drugs and I believe medical personnel need them. Even when the drugs are there you are told to buy syringes, needles and filtered water and this amounts to Shs.500. Where do we buy this? This makes me wonder if these are free services! We the poor need help because we cannot afford to pay for services in the clinic. In most cases when you go to a health unit you are referred to a particular clinic. My request to government is to address the issue of drugs.

*Edna Nyal, Soroti*



Shortages of drugs were reported to have led to deaths, especially where the poor cannot afford to buy them from private drug shops. Such outcomes to a well meaning policy are unacceptable. There is an urgent need to address the issues of quality of services provided.

In addition to lack of drugs, community consultations during PPA2 noted other key factors affecting access to and use of health facilities. These include:

- Inadequacy of medical personnel, a problem worsened by lack of staff housing. This results in staff having to travel long distances from the health facilities and therefore reporting late and leaving early. For this reason, many units have no staff at night and at weekends!
- Women's lack of control over disposable income that limits their consumption of health services especially if financial costs are involved. This is a problem faced by poor women in case of procuring drugs or paying for transportation to the facilities.
- Negative media campaigns on some health services, for example, immunisation. Some pastoral communities pointed out that immunisation was meant to finish Africans – a message that had been broadcasted by some local radio.
- Lack of specialised facilities for people with disabilities. A case in point was the fact that medical personnel do not know the sign language and, therefore, cannot communicate with deaf and dumb patients.

### 4.2.3 Health Status

Ill health was quoted as being the most frequent cause and consequence of poverty by communities in the recent PPA. Malaria remains the highest cause of morbidity and mortality in the country. This reconfirms the poor quality of life that was reflected in the persistently high infant and maternal mortality rates (Table 4.2).

**Table 4.2 : Trends in Quality of life indicators**

<b>Indicator</b>	<b>1995</b>	<b>2000/01</b>	<b>2005 PEAP Target</b>
Infant Mortality Rate per 1000 live births	81	88	68
Maternal Mortality Ratio per 100,000 live births	527	504	354
Nutrition (stunting)	38%	39%	28%

Source: Uganda Demographic and Health Survey 1995 and 2000/02; Poverty Monitoring and Evaluation Strategy 2002.

In order to effectively tackle and see a reduction in infant and maternal mortality rates, the government of Uganda has established a Task Force on Infant and Maternal

Mortality. The Task Force is charged with formulating a comprehensive strategy to address the problem.

#### 4.2.4 Challenges to the Health Sector

1. The Health Financing Strategy has estimated that US \$28 is needed to provide a minimum package of services for everyone in Uganda with particular emphasis on the poor. However, current per capita healthcare expenditure targeted at the minimum package in Uganda is equal to US\$ 9 per annum.<sup>55</sup> This figure is considerably lower than the minimum expenditure recommended in the WHO Commission for Macroeconomics and Health Report at US\$ 34 per capita.<sup>56</sup> This has implications for the coverage and quality of health services. With mounting population pressure, in future years the sector will be required to substantially increase expenditure simply to maintain the current health service standards.

2. There is a strong linkage between environmental sanitation and the incidence of diseases in Uganda, and indeed ill health is one of the major causes of poverty. In Uganda, malaria, diarrhoea and respiratory diseases are some of the diseases associated with poor environmental conditions. These alone contribute about 35% of life years lost through premature deaths in Uganda<sup>57</sup>. Mosquito net usage in both rural and urban area has also increased. The Ministry of Health (MoH) as the lead agency in this area working hand in hand with NEMA have developed a plan for building technical capacity in environmental health, sanitation and hygiene.

3. Occupational health is another important concern in improving the quality of life of the poor workers. Occupational safety at work places has been emphasized and there are vigorous inspections by NEMA and the Factory Inspection division of the Ministry of Labour to ensure compliance to desirable standards. As was noted in chapter 2, many employers are not ensuring safety at the work place.

4. With about 1 million people living with HIV/AIDS in Uganda, the already overstretched health system is overburdened for care and treatment, particularly in the public sector whose clients are mainly the poor.

5. Finally, the Health Sector Strategic Plan (HSSP), which is the implementing strategy for the National Health Policy emphasises the community's role in improving and maintaining their health. Community involvement for health has been strengthened through the use of Parish Development Committees (PDCs), Health Unit Management

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<sup>55</sup> Per capita US \$ 9 includes spending from public and private sources, which is estimated to be targeted at the minimum package. US \$ 8 is total public spending (including donor), whereas US \$ 1 is from private spending in public and PNFP units. Notably, total health sector per capita expenditure is estimated at US \$15. This figure includes spending on traditional healers and private for profit, which is likely to reach beyond package services.

<sup>56</sup> Unlike the figure of US \$28 per capita, estimated in the Health Financing Strategy, to provide a minimum package of services for all Ugandans, the figure of US \$34 per capita, estimated in the WHO Commission for Macroeconomics and Health Report, includes anti-retro viral.

<sup>57</sup> 1995 Burden of Disease study in Uganda

Committees (HUMCs), and Community Resource Persons (CORPS) –Contraceptive distributors, vaccinators, traditional birth attendants, and many others. However, these efforts are yet to produce results.

## **4.3 HIV/AIDS**

### **4.3.1 Prevalence**

HIV/AIDS is one of the major challenges to human development at individual, community and national levels. As was noted earlier, the disease poses a grave burden to the health of the people, reduces their incomes, threatens their livelihoods, and poses a threat to the economy and security of the nation. Of all societal groupings, the poor have borne and continued to bear the brunt of the problem.

The prevalence of HIV/AIDS in Uganda has remained constant between 6-7% during the period under examination (see **Table 4.1**). The overall prevalence for 2001/02 is 6.5% although the rate varies markedly between sites (see **Table 4.3**). Although the proportion of affected people and rate of spread of HIV/AIDS are decreasing, many people are still affected by the epidemic with devastating health, psychosocial and economic consequences.

Clearly, stagnation in HIV/AIDS prevalence is not an encouraging sign in terms of the government's goal to reach the PEAP target of 5% by 2005 (see **Figure 4.4**). One of the reasons for this stagnation, despite the high levels of awareness, is poverty. Prostitution is a major source of livelihood for many young women and men.

**Table 4.3 : HIV Infection rates in ante-natal attenders**

District	Centres	HIV infection Prevalence rate (%) in 2000	HIV Prevalence rate (%) in 2001
Kampala	Nsambya	11.8	9.5
Kampala	Rubaga	10.7	10.4
Mbarara		10.0	10.6
Jinja		8.3	7.4
Tororo		4.7	7.0
Mbale		5.5	5.6
Kasese	Kilembe	4.2	2.1
Soroti		5.0	5.0
Hoima		-	5.3
Arua		5.2	4.8
Pallisa		3.8	3.7
Moroto	Matany	1.9	1.7
Kibaale	Kagadi	10.5	7.4
Kisoro	Mutolere	2.1	4.1
Moyo		2.7	2.7
Gulu	Lacor	13.1	11.3
<b>Location</b>			
Urban		8.8	8.7
Rural		4.2	4.2

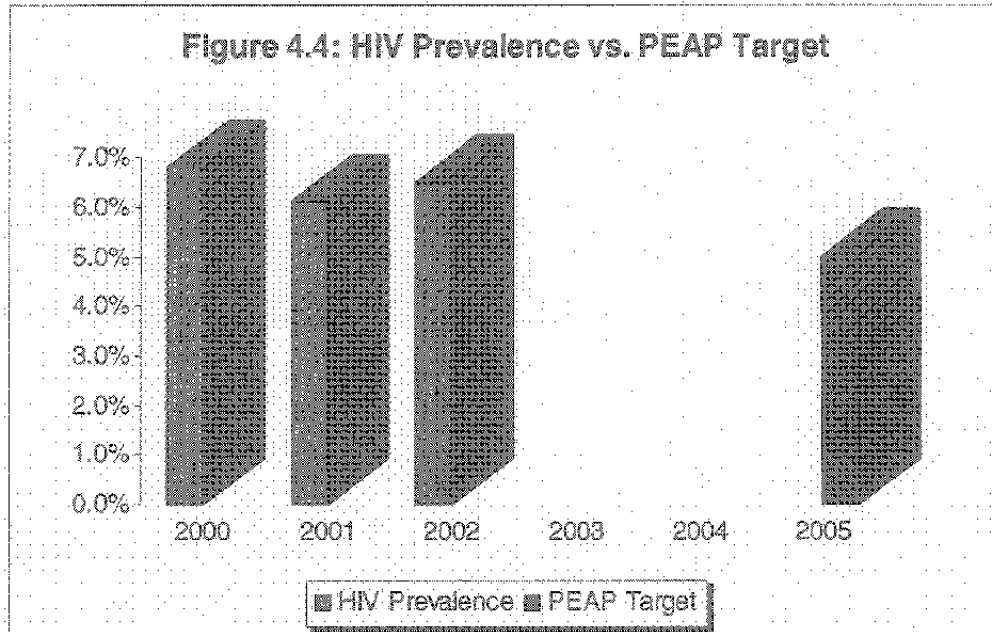
Source : AIDS Control Programme, Ministry of Health, 2002.

**Box 4.2 : Married Women: Condemned to HIV/AIDS?**

You know that AIDS has entered the home and you are not to die of AIDS, because the men do not know how to protect themselves against AIDS.

—Norian, Buringwe, Kisoro

In addition, there is the problem of unequal power relationships in homes, where women cannot control their sexuality (See Box 4.2).



### 4.3.2 Effect of the Epidemic

The epidemic has had a negative impact on implementation of policies and programmes in the various sectors due to the way the disease affects the workforce. As was noted in chapter 3, HIV/AIDS robs sectors of both skilled and unskilled workforce, and diverts already meagre resources. HIV/AIDS also increases absenteeism from work due to frequent illness of staff or/and nursing of sick family members leading to decreased productivity.

Particular social groupings like children, women, persons without productive assets, refugees and internally displaced people have been specially hit by the epidemic due to their poor status and low incomes. HIV/AIDS is having a devastating impact on the youngest and more vulnerable citizens in Uganda. Since the epidemic dawned, Uganda has lost about 1 million lives, leaving behind orphans without the care and protection of one or both parents. It is estimated that Uganda has over 2 million orphan children, the majority of whom are orphaned by HIV/AIDS. This number is expected to increase over the next decade, increasing the risk of children becoming street children, beggars, thieves, or being a target for abuse and exploitation.

Vulnerable groups find it harder to access information that is crucial in prevention of HIV infection and adequate health care when ill. Although there have been some deliberate efforts by some sectors to try and protect these vulnerable segments of society through policies and programmes, these are still limited in scope and coverage. This has thus led to limited support to these social groupings. The poor are among the most vulnerable populations. Of concern is that some households are using the effects of the epidemic to justify larger families (see Box 4.3)

#### **Box 4.3 : HIV/AIDS - Fueling population growth?**

...and I understand that even if the rate of HIV/AIDS is low, it has given birth to a child that would have otherwise not been born. When you produce new children, you destroy the mortality of the old. We do not want contraception because it acts to reduce and produce a population of children.

— Robert M. Anderson, *USAID*

### **4.3.3 Efforts to contain the Epidemic**

The National Strategic Framework (NSF) guides the implementation of all the policies on HIV/AIDS and the mainstreaming of HIV/AIDS issues into the development of sector policies. At present, sector specific and thematic HIV/AIDS policies are at different stages of formulation to support implementation of the NSF.

In fact, although HIV/AIDS prevalence rates have stagnated for the period 2000-2002, considerable progress has been realised in the national response to the HIV/AIDS epidemic. Despite geographical disparities, particularly in the war-affected northern districts, capacity has been built at national, central and grassroots community levels. Most sector line ministries and districts have designed integrated HIV/AIDS strategies and developed appropriate budget lines. In addition, resources have been mobilised by both government and civil society to help run HIV/AIDS programmes at district level, and help the poor access such services.

## **4.4 EDUCATION**

### **4.4.1 Education Policy Milestones**

The Education Strategic Investment Plan (ESIP), spells out strategies for ensuring equity of access to all levels of education. However, the current focus of ESIP has been on basic education, particularly primary education. The performance indicators, therefore, refer to primary schooling (see table 4.4).

**Table 4.4: Education Key Indicators**

Key indicator	2000	2001	2002	2005 PEAP Target
Pupil/classroom ratio calculated nationally for Government schools	106:1	98:1	94:1	92:1
Pupil/teacher ratio calculated nationally for Government schools	65:1	58:1	54:1	49:1
Pupil/textbook ratio (P1 & P3)	6:1	0 <sup>58</sup>	0 <sup>59</sup>	3:1
Net primary school enrolment calculated nationally	N/A	N/A	N/A	98%
12-year-olds in Primary 7 in Government Schools (i.e. NER in P7)	8.17%	9.79%	10.58%	N/A

Source: Annual Education Statistical Abstracts 2000, 2001 and 2002 (Provisional)

Total enrolment reached 6.8 million in 2001 and 7.3 million in 2002. The pupil/classroom ratio for Government primary schools improved from 106:1 in the year 2000 to 94:1, setting the sector on track vis-a-vis the government's PEAP target of 92:1 for the year 2005. In addition, there was an improvement in the pupil-teacher ratio as teacher recruitment allowed more teachers to access the payroll. In the year 2000, there were 82,148 teachers for 5,351,099 pupils enrolled in Government primary schools, giving the PTR of 65:1. In 2002, total enrolment was 6,575,827 with 118,784 teachers (according to October payroll), giving the PTR of 54:1.

It is clear that although a lot of effort is going into improving quality of UPE, the retention rate to P7 is still very low. The biggest challenge is with areas that suffer both poor access and quality problems. To this effect, Government has made deliberate efforts to provide special education programs for the hard-to reach areas. In the case of Karamoja, a special program of ABEK (Alternative Basic Education for Karamoja) is in place. In the sparsely populated areas of the Islands particularly in Kalangala, multi-grade teaching has been introduced as an efficiency measure.

#### 4.4.2 Post – Primary Education

In addition to primary education, there are also strategies aimed at ensuring increased access to post – primary schooling. Most efforts are at secondary, vocational and technical education. The achievements and constraints under each sub-sector are detailed out below (4A – 4B).

<sup>7/8</sup>PTR is zero because of introduction of a new curriculum in 2000/2001. But a wide range of non-textbooks has been distributed to all P1 and P2 classes. A total of 3,426,120 books have been distributed to P3 and P4 classes. The cycle to purchase and distribute books to P5-P7 classes has been launched.

#### **4A : SECONDARY EDUCATION**

**Objective : Increase and maintain rates of transition from primary to secondary school.**

**Status of Implementation.**

To enhance access to secondary education, studies were initially undertaken to identify the most effective options. The studies covered issues of teacher utilisation, unit cost, quality and firm's demand for post – primary education graduates. As a result of the study findings, the secondary education curriculum review framework was developed and discussed at different levels. On the management side, training and sensitisation guidelines and modules for Board of Governors were developed.

In terms of infrastructure, 16 seed secondary schools were at different stages of construction. In addition, rehabilitation of 32 comprehensive secondary schools was ongoing. To enhance the rural focus, 33 rural secondary schools were rehabilitated while 18 were provided with furniture.

The major constraints being faced include inadequate budgetary provision to the sub-sector, inability to fill vacant posts of teachers and the scarcity of instructional training materials particularly in science and vocational subjects.

#### **4B : Business, Technical, Vocational Education and Training (BTVET)**

**Objective : To promote and facilitate the creation of adequate human resource capacity for national integration and development.**

**Status of Implementation**

For increased access construction of 4 out of the planned 22 technical institutions is ongoing. Fourteen (14) sites have also been established for the first phase of Community Polytechnics (CP). The government CP target is one per sub-county totalling about 932. A total of 15 existing technical schools and institutes are being renovated and expanded. In addition government has extended financial support to 26 private providers of technical and vocational education.

Polytechnic instructor trainees (1,210) were selected and 760 have already graduated.

The constraints being faced include the inadequate funds and failure to fill vacant posts in various institutions.

### **4.4.3 Challenges to the Education Sector**

*1. The increased enrolment in Primary education has required massive construction and improvement in infrastructure, availability of scholastic materials as well as training of more teachers to meet the demands of a rapidly growing primary education sector. As a result of UPE, the national budget allocation has increased from 20.6 billion (when the programme commenced) to 46.7 billion, yielding a nominal increase of 100% in six years. It is noteworthy that this increase in funding has not*



*translated into proportional improvement in teacher pupil ratio and the desired quality of education. It follows that the high growth of Uganda's population is threatening to wipe out the gains from UPE.*

Even at the household level, due to large unmanageable families, many parents fail to send and maintain their children in school, while those who try only select boys at the expense of girls. The weak community mobilisation has not resolved issues of non-school attendance.

**Box 4.4 : Large poor families missing UPE**

Some parents cannot afford to send boys and girls to their children because they pay such PFA fees. But parents who have 4, 5 or more children at school find it very difficult to handle the payment of all the school fees and all the uniform and school items. And yet they tend to abandon their home for non-payment of school fees. We have no money but to keep our children in the village and not to go to school - this is the situation in many schools.

2. HIV/AIDS has had its toll on the education sector affecting both the students and parents on the demand (i.e. consumer) side, and teachers on the supply (i.e. provider) side. As a result, increasing drop-out rates, absenteeism, and poor school performance have become common.

3. Social and cultural barriers to UPE were the second most frequently cited reason in UPPAP II for absenteeism, late-coming and dropping out. Community members mentioned that pupils, especially girls and children with disabilities, often end up having limited access to education: **Table 4.5** presents the outcome of an analysis of the gender-specific social and cultural barriers to UPE.

**Table 4.5: Social and cultural reasons for pupils' absenteeism, late-coming and dropping-out**

GIRLS	BOYS
<ul style="list-style-type: none"> <li>• Early marriage</li> <li>• Early pregnancy</li> <li>• Domestic chores</li> <li>• Gender-bias against girl-child education</li> <li>• Engaging in income generating activities / petty trade</li> <li>• Peer-pressure from earlier drop-outs</li> </ul>	<ul style="list-style-type: none"> <li>• Engaging in income generating activities / petty trade</li> <li>• Domestic chores</li> <li>• Early marriage</li> <li>• Peer-pressure from earlier drop-outs</li> </ul>

At the onset of UPE, school enrolment for boys and girls was almost the same. Unfortunately, the issues of early marriages and/or pregnancy present a problem of widening inequality in primary school achievement between girls and boys. This is a challenge because illiterate mothers perpetuate intergeneration poverty.

4. Another area of concern to quality learning under UPE, is the issue of school feeding. Many poor children cannot concentrate in class especially in the afternoon on an empty stomach. During the PPA2 consultations, it was noted that many parents who could not pay for school meals had requested that children go back home for lunch. However, a number of such homes are very far from school. To make matters worse,

because parents do a lot of farming until lunch-time, many children go back home but find no ready lunch!

The issue of school feeding must be revisited because there is a real danger of having children in class who are learning nothing.

5. The quality of UPE is still very poor in many rural and remote areas because of the lack of qualified teachers and inadequate physical facilities. Available data in the Ministry of Education and Sports indicate that the most successful teacher recruitment and deployment has taken place in the urban/peri-urban districts.

In addition, the cost of constructing school facilities is higher. Such areas include: the pastoral community of Karamoja, the islands of Kalangala, Bugiri, Mukono and Iganga districts and the remote and mountainous areas of Bundibugyo, Mbale, Sironko, and Kisoro.

## **4.5 WATER AND SANITATION**

Water is a key strategic resource, vital for sustaining life, promoting development and maintaining the environment. UPPAP II demonstrated the links between lack of access to safe water and sanitation and poverty.

The sector's budget is part of the Poverty Action Fund (PAF). Government has provided a substantial increase in sector funding. Financial contribution from government resources increased from approximately US\$ 18bn in 1999/2000, to US\$ 36.39bn in FY 2000/01, and US\$ 54.03bn in FY 2001/02. On the bases that the vast majority of the population living below the poverty line can be found in rural areas, the sector showed its commitment to fight poverty by increasing the budget share to the rural water and sanitation sub-sector from 43.4 % in FY 1999/2000 to 54.3 % in FY 2000/01.<sup>14</sup>

### *4.5.1 Water Policy Milestones*

***The government of Uganda aims to achieve the PEAP target of 65% safe water coverage by the year 2005, and 95-100% by 2015. In 2002, the Ministry of Water, Lands and Environment, (MWLE) carried out an assessments of the water sector performance. The following physical achievements were registered by the sub-sectors:***

**Rural Water & Sanitation sub-sector:** Rural water coverage increased from 49.8% in July 2000 to 54.9% in June 2002. A total of 3,395, 3,913 and 4,717 new water points were developed in FY 1999/2000, FY 2000/01, and 2001/02, respectively. These figures do not include rehabilitated boreholes (662 and 418, respectively), and the rain water tanks provided to schools (1020 and 522 in 2000/2001 and 2001/2002, respectively). Detailed WSS facilities by districts in June 2000 and June 2002 are provided in **Annex 6**, and indicate the general trend in increase in service coverage for water. Notably,

coverage varies between districts, ranging from 25 to 74%. Details of the Water points constructed are reflected in **Table 4.6**.

**Table 4.6: RWSS planned and actual achievements in the last 3 FYs**

Benchmark	1999/2000		2000/2001		2001/2002	
	Plan	Actual	Plan	Actual	Plan	Actual
Spring protected	900	504	1590	1186	1520	1605
Shallow Well protected	1000	671	1860	1159	2200	1800
Borehole Rehabilitated	-	-	325	662	346	418
Borehole Drilled	1060	2192	1272	946	1118	812
Rain Water Tanks	-	318	635	1191	655	642
Gravity Flow Scheme (Nos)	-	-	25	7	26	26
Gravity Flow Scheme (Taps)	22	28	350	453	390	380
Production Wells/GH drilled for Piped Water at RGCs	0	0	0	0	126	52
Latrines in Schools	-	-	867	747	-	-
Hand washing facilities in schools	-	2699	2567	-	-	-

Source: DWD

#### **Small towns and Sanitation sub-sector:**

In the period between 2000 and 2002, water coverage increased by 18%, with the construction of 32 new water supply schemes, and the rehabilitation of 4 water supply systems, for a total design production capacity of 9,767 m<sup>3</sup>/day. Together with the installation of 4,040 service connections and 206 public stand posts, these resources provided additional services to 380,000 people. Notably, much activity appears to have taken place in the fringe areas, where the majority of the poor population are concentrated in **Annexes 7-10**. give the details of the Small towns WSS development.

To improve on the operation and maintenance of the water systems, 56 Water Supply Areas were gazetted and appointed Water Supply and Sewerage Authorities. Further, 23 water systems were handed over to Private Operators.

**Large towns WSS Under NWSC:** Service coverage of the NWSC Water supply system has improved from 50% in 1998/99 to 60% in 2001/2002. Total connections increased from 50,826 (31,284 active) in 1998/99 to 74,797 (57,127 active) in 2001/02. Most importantly, between the same time period, new connections per year increased from 3,317 to 7,764 as a result of a pro-poor connection policy that reduced the “half inch” connection fee from an average of 162,000US\$ to 50,000US\$ in the year 2000.

**Water for the urban poor:** In order to improve the living conditions of the population living in poor urban areas, special programs have been developed to extend services to these areas as a social mission. A strategy has been prepared, and the Ugandan government together with the German government has allocated funds for the provision of infrastructure within the settlements.

**Water for Production:** During the last two financial years, two large dams, 4 small dams, 7 large valley tanks were constructed, and 2 old dams rehabilitated, creating a water capacity of 1.33 million m<sup>3</sup>. Much of this infrastructures were constructed in Karamoja region, the poorest part of the country.

**Water Resources management:** During the last two financial years, the sector focused on strengthening the water resources monitoring networks and assessment services, establishing water resources databases, and encouraging water resources regulation. The improvement in regional collaboration resulted in better management of the water resources of the country for socio-economic development.

*In spite of the provision of the physical output described above, UPPAP II revealed that access to safe water is still a major problem for many people, who use unprotected and unsafe water. Community members reported travelling between 1.5 and 16 Km to collect safe water. Even people from sites with protected sources are forced to use unprotected sources because of the distance to safe water sources, the cost and congestion of safe water points. On the bases that women and children, especially girls, are in charge of water collection, storage and management for the home, improved access to safe water leads to reduced workloads, and provide protection for vulnerable groups.*

#### **4.5.2 Sanitation**

On the sanitation side, it is estimated that 80 percent of the disease burden in Uganda is associated with poor sanitation and hygiene.<sup>60</sup> National household latrine coverage is low estimated at 48 percent, compared to the PEAP target of 60 percent access by 2004. Notably, there is wide variation of coverage between districts, with a low of 4 percent in

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<sup>60</sup> Environmental Health Division, MOH.

Karamoja and over 80 percent in districts in the southwestern part of the country. Latrine coverage in fishing villages is estimated at 10%. Coverage of public latrines is also very low (19%), with most of these latrines located in schools, markets and health units. Piped sewerage services are accessible to only about 5 percent of the population in the large urban centres. As with water supply, the number of constructed facilities does not necessarily reflect actual usage by all the intended users due to differing reasons such as cultural taboos and beliefs.<sup>61</sup>

Many Ugandans are uncomfortable about the issue of sanitation because it is considered a cultural taboo. There is also a general feeling that it involves too much hard work (Nakiboneka, 1998). Others, including many donors, have traditionally given this topic less importance than it deserves. This has resulted into a situation where institutional roles have, at least until recently, remained unclear. According to government policy, it is the responsibility of each individual household to provide its own sanitation. Given government goals about sanitation, however, it is important that Government provides an adequate framework to stimulate households to improve sanitary practices – for instance through information campaigns. Unfortunately, there is no lead agency to address sanitation issues in Uganda, rather, the responsibility is spread over three different sectors, namely health, education and water. These sectors have each given sanitation a very low priority – partly because there are very few resources to address the issue – whilst highlighting sanitation targets as a high policy priority. Inter-sectoral collaboration has basically remained non-existent, although this situation is now changing.

### **4.5.3 Challenges to Water and Sanitation Sub-sector**

1. The rapid population growth, which has resulted into increased growth of urban areas, is partly responsible for the persistently low water coverage.

*For instance, the rapid growth and concentration of people has placed extraordinary strain on the ability of Government – both central and local – to meet the needs of urban dwellers. Urban environmental problems such as insufficient water supply and sanitation facilities, inadequate waste management and unsustainable energy systems are real and growing concerns in our urban areas. Although deficiencies in provision of water, and waste services can be attributed to limited management and technical capacities of municipalities and other government agencies, the expanding concentration of the population combined with unplanned rapid increase in the size of the urban areas and urban dwellers has aggravated the problems.*

2. Environmental sanitation conditions in the country especially in the rural and peri-urban areas are still very poor. The national sanitation coverage measured by the presence of acceptable quality pit latrines is estimated at 50%. However, there was a slight improvement in rural sanitation service population coverage from 51% in 2000 to 55% in 2002 (MoFPED).

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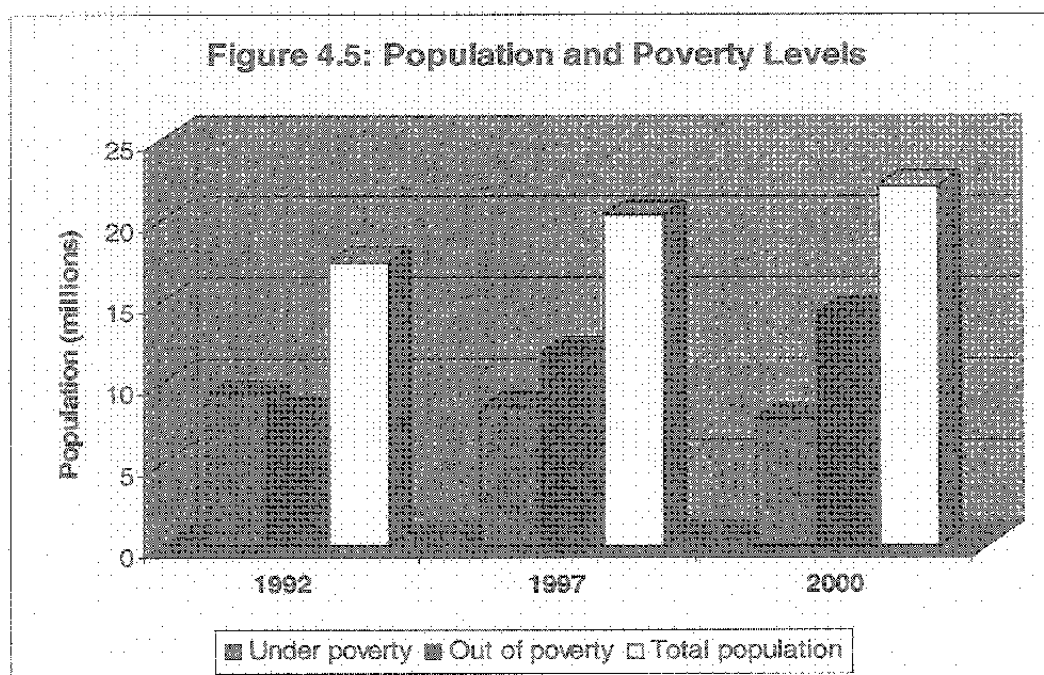
<sup>61</sup> Rural Water and Sanitation Operation Plan 2002-2007 by MWLE, 2002.

*On a positive note, strategic gender needs, water and sanitation policy has had a positive impact on improving women's participation in decision-making, particularly at the community (grass-roots) level. At least one third of members of water user committees are women and mainly women hold the key position of 'treasurer'. This means that both women and men have had an opportunity to equitably influence key decision on water in their respective communities. The technical, especially engineering fields as well as national policy making structures are still predominantly male. The sector needs to gradually address this structural issue as a response to the requirements of the National Gender Policy. A key step in this direction is the formulation of a water and sanitation sector gender strategy (2002).*

#### 4.6 POPULATION

*Uganda has a total population of 24.7 million persons, with an average growth rate of 3.4% percent. The census records 12.1 million males as compared to 12.6 million females, with a sex ratio of 96 males per 100 females. In addition, it reveals that the spatial distribution of the population in Uganda is uneven. The Central region has the largest share of the population (27%), while the Western and Eastern regions have 26% and 25%, respectively; the share of the Northern region is 22%.*

Fig. 4.5 shows population and poverty levels between 1992 and 2000. The proportion of people below the poverty line fell from 56% in 1992 to 35% in 2000. However, the absolute number of people below the poverty line fell only marginally from 9.3 million in 1992 to 7.8 million in 2000.



Source: Population Secretariat 2002

*It is clear that with a high population growth rate, the decline in poverty must be even faster than what has been achieved. This is because the high fertility levels have left the country's population predominantly young with over 50% of males and females being below 15 years of age. This young age structure has created a high child dependency ratio that has placed a heavy burden on the working population, and constrained the provision of basic needs and social services.*

The rapid population growth rate is also responsible for the increasing over-use of the natural resources and therefore a degradation of the environment.

In some parts of the country, expansion of agriculture on previously forested steep terrain has led to soil erosion resulting in siltation of rivers and lakes. Overgrazing and poor agricultural techniques, such as slash and burn have contributed to unnecessary clearing of woody vegetation. This is especially in districts of Luweero, Nakasongola, Mbarara, Kabale and Sembabule. These activities tend to convert, natural forests and woodlands to marginal lands or even deserts. They are a manifestation of a rapidly growing population and they will intensify as the population continues to grow rapidly.

#### **4.7 ENVIRONMENT**

As was noted in chapter 3, the poor are faced with a declining environment quality. The poor suffer the consequences of environmental degradation disproportionately. This among other factors explains the current state of poverty experienced in the country. Poverty is a cause as well as a consequence of environmental degradation. The link between poverty and the environment calls for an integrated policy and a sound and equitable environment management approach. This relationship necessitates the development of poverty- environment analytical tools and indicators to set the basis for strategies that will simultaneously eliminate poverty and ensure sustained economic growth. In addition, it will improve poverty-environment monitoring and assessment, policy formulation and implementation.

#### **4.8 Social Development**

The Social Development Sector (SDS) addresses social development concerns which include social exclusion, inequity, inequality, vulnerability, unemployment and disenfranchisement for different groups such as women, men, youth, children, the unemployed, internally displaced persons, the elderly, and persons with disability. These groups are often marginalized or excluded from the benefits of development, and are particularly vulnerable to exploitation and income shocks. The Ministry of Gender, Labour and Social Development (MGLSD) is the lead agency for the SDS with the mandate to promote social transformation of communities by empowering them to harness their potential through cultural growth, skills development and labour productivity for sustainable and gender responsive development. Since community mobilization and empowerment were addressed in chapter 2, this section will focus on social protection and gender issues.

#### 4.8.1 Social Protection

The design of PEAP (2000) treats Social Protection (SP) in a transient manner, and vulnerability is largely viewed within the context of income risks. Government has however embarked on defining a clear and broader national strategy within which various elements of Social Protection will be addressed.<sup>62</sup> This section reviews progress and impact of government policies with regard to key social protection dimensions defined in the emerging Social Development Sector Strategic Investment Plan (SDIP), whose main focus is social protection. The evaluation draws on SP interventions carried out by various sectors, which re-affirms the acknowledgement that SP is a crosscutting concept.

*A study to inform the development of a framework for social protection within the context of the PEAP in Uganda (MGLSD 2002) defines social protection as all public and private initiatives that provide income or consumption transfers to the poor, protects the vulnerable against livelihood risks, and enhance the social status and rights of the marginalized, with the overall objective of reducing the economic and social vulnerability of the poor, vulnerable and marginalized groups.*

Table 4.7 : Vulnerable Groups in Uganda

Conflict-Related	Demographic Categories	Poverty-Related
Refugees	Asset-less widows and widowers	<u>Urban</u>
Internally Displaced Person (IDPs)	Orphans and abandoned children	Urban unemployed
War orphans	Female-headed households	Low-paid workers
Abductees	Child-headed households	Informal sector workers
Traumatized civilians	People with disabilities (PWD)	Beggars
Households living in or near conflict zones	Chronically sick	Squatters
	HIV/AIDS sufferers and carers	<u>Rural</u>
	Victims of domestic abuse	Rural landless
	Ethnic minority groups	Cash-crop farmers
	Street children	Pastoralists
	Elderly	Plantation workers

As it was pointed out earlier, the PEAP 2000 framework does not provide a clear basis for evaluating SP interventions. The Poverty Monitoring and Evaluation Strategy (PMES) does not explicitly outline SP indicators. However, some of the indicators in the PMES provide proxies for measuring SP progress in relation to the various categories of vulnerable persons highlighted in Table 4.7. The progress is reported against five key themes that contribute enormously to risk reduction, mitigation, and coping. Community consultations in PPA2, identified factors that increase vulnerability among different socio-economic groups (See Table 4.8 below).

<sup>62</sup> The Social Development Sector Strategic Investment Plan



Table 4.8: Factors that increase vulnerability of specific groups

Vulnerable group	Key mediating factors for vulnerability
Women	<ul style="list-style-type: none"> <li>• Lack of rights/control over major productive assets</li> <li>• Traditional roles ascribed by society</li> </ul>
Widows	<ul style="list-style-type: none"> <li>• Land/property grabbed by relatives and in-laws</li> <li>• Burden of orphans</li> <li>• Many sons sharing and fragmenting land</li> </ul>
Youth	<ul style="list-style-type: none"> <li>• Limited access to productive assets</li> <li>• Inadequate education or vocational skills</li> <li>• Early marriages</li> <li>• Ignorance and lack of information</li> <li>• Traditional roles ascribed by society (female youth)</li> </ul>
Elderly	<ul style="list-style-type: none"> <li>• Lack of productive assets</li> <li>• Inability to exploit available resources</li> <li>• Lack a social support network</li> <li>• Burden of looking after orphans</li> </ul>
Neglected children	<ul style="list-style-type: none"> <li>• Being part of large families</li> <li>• Lack of social support and social protection mechanisms</li> <li>• Being physically disabled</li> </ul>
Orphans	<ul style="list-style-type: none"> <li>• Lack of basic necessities – food, housing, clothing</li> <li>• Staying in large families with limited parental care</li> <li>• Living with HIV/AIDS</li> <li>• No support for health and education</li> <li>• Lack of productive assets</li> </ul>
Persons with Disabilities	<ul style="list-style-type: none"> <li>• Discrimination in households and community</li> <li>• Lack of ownership of key assets like land</li> <li>• Taxation</li> <li>• Inability to engage in income generation</li> </ul>
Displaced and refugees	<ul style="list-style-type: none"> <li>• Exclusion from accessing social services</li> <li>• Lack of basic necessities</li> </ul>

Source: MFPED, 2003

#### 4.8.2 Targeted Resource Transfers

Over the reported period, government has provided targeted cash transfers to various categories of people who experienced livelihood shocks. Cash transfers amounting to 400 million shillings were issued to 33 families affected by the *Ebola* outbreak in 2000. According to the consolidated Appeal 2002, the World Food Programme has continued to offer assistance in terms of both non-food and food items. However, funding shortfalls and late disbursement over the past three years have hampered humanitarian operations.

Efforts are in place to improve the nutritional status of the vulnerable population groups (i.e. mothers and children) in 25 districts (these have increased to 34 districts following the creation of 9 new districts) under the Nutrition and Early Childhood Development Project. Progress in Nutrition improvement initiatives has included 4141 Community Action Projects being approved to get community grants.

In collaboration with the Food and Agricultural Organization (FAO), a number of projects were initiated for Acholi, Katakwi and Rwenzori regions to assist 500,000 victims of cattle rustling, drought, Lords' Resistance Army (LRA) and Allied Democratic Front (ADF) with farming implements and seeds. Similar projects are planned for post war resettlement.

#### **4.8.3 Social Services**

Community based rehabilitation services (home care visits) were offered to persons with disabilities in 13 districts of Kayunga, Mbale, Tororo, Iganga, Mayuge, Kamuli, Mbarara, Bushenyi, Rukungiri, Ntungamo, Kanungu, Mukono, and Kabale. Notably, due to the inadequacy of funds released to the department responsible for the elderly, no specific programmes were carried out in this direction.

Adult Literacy Programmes were carried out throughout the country and about 600,000 adult learners were trained in literacy and numeracy from the year 2000 to December 2002. 80% of the adult learners were women.

A total of 675 children were withdrawn from the streets of Kampala and taken to Kampiringisa National Rehabilitation Centre. Of these, 575 were treated to psycho-socio therapy and successfully resettled with their families and re-integrated into regular child development activities. However, the problem of street children in Uganda is still critical : It is estimated that there are approximately 5,000 children living on the streets of major towns and urban centres. In fact, the issue of child poverty has not been given the focus that it deserves (see Box 4.5 below).

#### **Box 4.5 : Child poverty**

62% of the poor in Uganda are children. Yet, this group has not been consulted as part of the PEAP process, nor have their rights been addressed specifically. As a result, the Ministry of Finance, Planning and Economic Development commissioned a study on child poverty, conducted by Save the Children UK, as part of UPPAP II.

The report, entitled the Silent Majority, made the following conclusions;

- Children fall into a broad range of poverty, which should be mirrored by a broad range of indicators;
- Despite a general drop in the proportion of poor in Uganda, there are a large and growing groups of children in need of assistance, care and protection.
- Children are a low priority group and their interests are not disaggregated from those of adults. This calls for separation of these statistics.

The Prime Minister's office resettled 180,000 internally displaced persons (IDPs) of the ADF insurgency in Kabarole, Kasese and Bundibugyo Districts, and completed a pilot project for management of landslides in Sironko district with support from the German Government.

#### **4.8.4 Regulatory Framework**

Little progress was registered in this area. Only the Workers Compensation Act 2000 was enacted during the period under review. The Workers Compensation Act is supposed to set terms and guidelines to assist those who have suffered injury during the course of their work in both private and public sectors.

Government has registered some progress in the area of orphans. An analysis on the current state of orphans in Uganda (2001) established that there are 2.3 million. A Policy and Plan to address the challenges on orphans and vulnerable children is being developed, expected to be completed in February 2004.

#### **4.8.5 Sensitisation Campaigns**

Various government and non-government agencies have over the report period carried out sensitisation programmes aimed at creating awareness on gender issues as well as rights of special interest groups such as ethnic minorities, persons with disability, persons living with HIV/AIDS, and children. The impact of these efforts is evidenced by the fact that there is increased attention being paid to these categories of vulnerable persons in sectoral and district development programmes. Nonetheless, such efforts

appear to have resulted in only the drafting of various documents and there is little evidence to suggest that the increased awareness has been translated into better livelihoods for these sections of the population.

#### **4.8.6 Social Insurance**

Government has moved to reform the pension and social security sector. A social security transition group (STG) has been put in place to study and propose a framework for provision of national social security.

### **4.9 FUTURE POLICY DIRECTION**

It is evident that despite the economic growth, reduction in consumption poverty and increased social spending, the quality of life of the poor is still wanting. There is therefore a dire need to critically re-examine some issues, especially during the PEAP revision. Areas of concern include:

- Identifying mechanisms that will ensure value for money expenditures.
- Ensuring that the gains made in economic growth are translated into improved welfare of individuals within households.
- Striking a balance between the need for efficient provision of services and equity concerns. Privatization of urban water sources, for example, may negatively impact on poor households where the women (responsible for water collection and the chores for which the water is required) do not command adequate financial resources.

# CHAPTER 5

## The Way Forward

### 5.1 Main Findings

Macroeconomic stability has been maintained but the economy is following an uneven growth path because of external economic shocks and persistent insecurity in the northern parts of the country. The insecurity not only hampered growth in the economy and household incomes, but also limited the translation of the gains from the growth into welfare for poor men and women within the households. Another key factor explaining the poor welfare within households is the persistent unequal gender relations.

Public expenditures on basic social services continued to rise although quality is still an issue. Of concern, is the poor domestic revenue performance that has meant increased dependency on donors to finance the fiscal deficit and therefore the worry about sustainability of poverty reduction efforts. The rapid population growth is not making it any easier.

The implementation of PEAP programmes through a decentralised framework has also had its problems. This, coupled with piece-meal implementation and poor coordination between different government programmes has certainly limited the effectiveness of the strategies. The lack of performance indicators and targets for some interventions, and the inadequacy of the monitoring and evaluation functions at different levels have aggravated the problem further.

### 5.2 Policy Recommendations

Overall, the strategy is on track. However, there is need to focus on certain issues to ensure enhanced effectiveness of the implementation of the PEAP. The key areas within each of the four pillars are:

#### (a) **Creating a framework for economic growth and structural transformation**

Government has maintained macro economic stability and will focus on the following actions:

- strengthening domestic resource mobilisation through better tax administration and reviewing the system of local taxation.
- reducing growth in expenditure for areas which do not have a strong poverty focus
- promoting export diversification.
- continuing pro-poor re-allocation of public expenditures, and possibly greater gender targeting to address the persistent inequalities between men and women.

- implementation of the MTCS in a coordinated manner with the PMA and SEP.

**(b) Strengthening good governance and Security**

Economic growth cannot take place in an environment that is insecure. Improvements in macro economic performance cannot be translated into poverty reduction if the institutional framework and mechanisms are inappropriate. Government will focus on the following actions:

- accelerating restoration of security within the northern parts of the country;
- preparation of a defence policy;
- professionalising the army;
- continuing the disarmament of the Karamojong;
- continuing to participate in peace-building in the region;
- finalising the constitutional review process;
- implementation of the JLOS strategic investment plan;
- continuing to strengthen the local government structures;
- implementation of the community mobilisation strategy;
- Continuing to reform payroll management and public sector pay and pensions to address problems in recruitment and retention.
- continuing strengthen management to reward good performance and encourage staff development.

**(c) Increasing the ability of the poor to raise their incomes.**

There has been limited attention that has been focused on the productive sectors, and therefore the slow implementation of the PMA. Government will focus the following:

- Implementation of the PMA
  - enhancing awareness creation of PMA concepts and process among stakeholders;
  - building capacity of local governments to articulate PMA Investments
  - hastening institutional reviews;
  - coordinating with MTCS and SEP;
  - include PMA expenditures under priorities of sectors;
  - commencing the use of PMA indicators and benchmarks for assessing performance;
- promotion of improved financial services for the poor through implementation of the policy framework for micro finance;
- strengthening targeted interventions to support the incomes of particularly disadvantaged groups.

- addressing gender issues during the implementation of poverty reducing strategies
- Implementation of the environment and natural resource sector policies

(d) **Increasing the quality of life of the poor**

**Significant increases in service delivery has been achieved despite the poor quality. Government will focus on the following actions:**

- Continuing to support quality in primary education;
- Finding cost-effective ways to expand access to secondary education;
- Strengthening the management of drugs;
- Implementing the strategy to combat malaria;
- Continuing the building of public awareness about AIDS;
- Improving the installation and maintenance of water supplies;
- Implementing the social development strategic investment plan.

### **5.3 Monitoring and Research**

The Poverty Monitoring and Evaluation Strategy was developed to ensure systematic and comprehensive monitoring of the PEAP implementation. Efforts will be made to develop further the set of performance indicators for each sector.

For the PEAP revision, data will be available from the Uganda National Household Survey 2001/02 which will facilitate indepth poverty diagnostics. In addition, further research will have to be undertaken in the areas of:

- Examining how the macro economic framework strategy can be revised to generate further growth and engender structural transformation of the economy;
- Prioritising and costing of actions under each of the PEAP pillars and developing a Long-Term Expenditure Framework;
- Identifying overall monitoring and coordination mechanisms for PEAP implementation.
- The design of and trends in the world trade regime and their implications on emerging trade opportunities for Uganda;
- The pace of the Utility sector reform vis-a-vis the growth rate of Uganda's regulatory capacity;
- Exploring what type of structural transformation is feasible in Uganda, given its resource endowments, etc;
- Exploring where Uganda's long term comparative advantage might lie;
- Examining what is the optimal level of Government spending as a percentage of GDP in the long run, given the revenue base, etc;
- Identifying, based on SWG targets, the optimal sectoral shares of the Government budget to meet the poverty eradication objectives;

- Conducting a poverty and social impact analysis on the following:
  1. Water tariff restructuring (privatisation)
  2. Implementation of the Land Act
  3. Taxation policies
  4. Sectoral composition of expenditure
  5. Fiscal deficit and the macroeconomic programme
- Establishing the economic benefits of sustainable agriculture
- Determining environmental trade off of economic development.

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## ANNEXES.

### Annex 1 : Most Common complaints in 2001

UHRC OFFICE	Category of Rights						Sub Totals	Percentages
	Liberty	Torture	Property	Fair hearing	Maintenance	Remuneration		
Kampala Headquarters	208	152	100	95	62	55	<b>672</b>	55%
Soroti Regional Office	13	27	29	15	86	77	<b>247</b>	20%
Gulu Regional Office	58	31	67	17	87	43	<b>303</b>	25%
Sub totals	<b>279</b>	<b>210</b>	<b>196</b>	<b>127</b>	<b>235</b>	<b>175</b>	1222	100%
Percentage	23%	17%	16%	10%	19%	14%	100%	

Source: UHRC Annual Report 2001-2002

## Annex 2 : Most Common complaints in January to June 2002

UHRC OFFICE	Category of Rights						Sub Totals	Percentages
	Liberty	Torture	Property	Fair hearing	Maintenance	Remuneration		
Kampala headquarters	112	63	74	41	29	94	413	66%
Soroti Regional Office	6	9	15	12	64	40	146	23%
Mbarara Regional Office	1	13	9	0	14	7	44	7%
Fort Portal Regional Office	4	6	6	1	3	6	26	4%
	<b>123</b>	<b>91</b>	<b>104</b>	<b>54</b>	<b>110</b>	<b>147</b>	<b>629</b>	<b>100%</b>
	20%	14%	17%	9%	17%	23%	100%	

Source: UHRC Annual Report 2001-2002

### Annex 3: Access to road and transport services by district

Region	District	All weather road % <5km	Public transport better now than 5 yrs ago %	Public transport accessible %	Road maintenance better now than 5 yrs ago	
Central	Kalangala	54.10	77.60	71.80	10.20	
	Kampala	95.40	72.90	90.60	42.00	
	Kiboga	60.40	64.60	75.90	60.00	
	Luwero	51.40	45.60	63.40	62.40	
	Masaka	77.90	79.40	64.30	65.10	
	Mpigi	45.00	60.50	69.40	56.50	
	Mubende	45.00	52.50	50.40	51.20	
	Mukono	75.50	77.90	69.00	60.80	
	Nakasongola	45.60	70.50	55.60	64.70	
	Rakai	42.80	77.80	54.20	79.90	
	Sembabule	47.80	70.40	71.10	58.80	
	Eastern	Bugiri	13.10	67.50	62.80	46.20
		Busia	66.00	80.00	68.90	71.20
Iganga		50.50	55.00	57.60	38.40	
Jinja		62.20	78.40	83.10	74.40	
Kamuli		38.60	69.00	58.80	72.60	
Kapchorwa		0.50	74.70	85.30	78.80	
Katakwi		36.60	51.20	85.30	51.10	
Kumi		34.30	62.40	52.30	71.20	
Mbale		51.60	70.90	71.90	60.70	
Pallisa		54.80	82.10	68.60	77.90	
Soroti		36.70	64.70	62.30	62.20	
Tororo		37.40	64.60	57.30	58.10	
Northern		Adjumani	56.30	37.50	12.80	58.60
	Apac	50.30	67.80	56.70	71.40	
	Arua	62.20	62.50	50.60	52.20	
	Gulu	74.70	47.10	32.00	44.30	
	Kitgum	17.10	3.20	11.60	3.10	
	Kotido	10.70	69.80	86.30	66.10	
	Lira	40.80	53.20	66.70	54.10	
	Moroto	30.30	63.40	81.10	59.10	
	Moyo	37.50	44.30	40.60	52.90	
	Nebbi	65.10	66.20	67.60	67.90	
	Western	Bundibugyo	90.30	44.20	34.70	43.00
		Bushenyi	58.60	67.60	73.10	65.70
		Hoima	61.90	69.30	68.20	68.50
Kabale		25.50	82.00	63.10	89.00	
Kabarole		33.70	53.20	42.00	52.20	
Kasese		41.50	58.80	62.70	66.20	
Kibaale		53.10	88.10	85.40	61.70	
Kisoro		63.80	75.80	64.90	67.50	
Masindi		39.00	81.80	62.80	69.90	
Mbarara		29.00	74.40	80.30	65.50	
Ntungamo		86.60	47.00	51.70	79.40	
Rukungiri		39.40	47.70	62.80	48.80	

MOPS, 2001.



**Annex 4 : Number of MFIs and borrowers by district and sex**

Region	District	Number of MFIs	% of MFIs registered	Total borrowers	% Male borrowers	% Female borrowers
Central	Kalangala	19	89.5	173	43%	57%
	Kampala	83	97.6	216,920	31%	49%
	Kiboga	24	66.7	327	70%	30%
	Luwero	18	94.4	1,481	52%	48%
	Masaka	26	96.2	1,925	54%	46%
	Mpigi	24	75.0	183	42%	58%
	Mubende	26	84.6	1,797	53%	47%
	Mukono	27	85.2	2,397	52%	48%
	Nakasongola	18	83.3	76	38%	62%
	Rakai	12	83.3	2,155	49%	51%
	Sembabule	6	607	55	58%	42%
	Eastern	Bugiri	15	73.3	310	33%
Busia		39	87.2	1,181	45%	55%
Iganga		15	80.0	616	56%	44%
Jinja		12	100.0	201	47%	53%
Kamuli		39	46.2	340	67%	33%
Kapchorwa		18	72.2	133	44%	56%
Katakwi		16	68.8	109	39%	61%
Kumi		13	84.6	882	55%	45%
Mbale		30	93.3	23,487	5%	95%
Pallisa		19	100.0	837	55%	45%
Soroti		11	81.8	7,587	7%	93%
Tororo		NA	NA	NA	NA	NA
Northern	Adjumani	17	76.5	203	16%	84%
	Apac	22	36.4	174	74%	26%
	Arua	49	51.0	784	21%	79%
	Gulu	38	81.6	1,242	26%	74%
	Kitgum	32	75.0	506	47%	53%
	Kotido	26	80.8	882	32%	68%
	Lira	41	75.6	2,019	23%	77%
	Moroto	36	61.1	2,174	36%	64%
	Moyo	32	53.1	475	13%	87%
	Nebbi	25	88.0	2,576	30%	70%
Western	Bundibugyo	13	92.3	150	35%	65%
	Bushenyi	27	96.3	3,684	71%	29%
	Hoima	26	96.2	6,714	56%	44%
	Kabale	27	85.2	1807	51%	49%
	Kabarole	18	94.4	5,824	31%	69%
	Kasese	41	78.0	9,177	22%	78%
	Kibaale	29	75.9	632	44%	56%
	Kisoro	42	95.2	2,556	51%	49%
	Masindi	24	91.7	4,803	22%	78%
	Mbarara	75	73.3	6,952	46%	54%
	Ntungamo	46	67.4	1,912	54%	46%
Rukungiri	34	94.1	3,071	51%	49%	
<b>Total</b>		<b>1442</b>	<b>78.8</b>	<b>329,408</b>		

UBOS, 2003.

Annex 5: Summary indicators for enhancing incomes of the poor

Indicator	Target	Current Status	Data Source	Comments
Economic Dependency (the proportion of the population being supported by those who are employed)				This indicator needs to be better defined.
Average household size		4.7	2002 Census Provisional Results	
Population growth rate		3.4%	Growth rate between 1991 & 2002, source is the 2002 Census provisional results.	Uganda's population growth rate is the 3 <sup>rd</sup> highest in the world.
Incidence of poverty: proportion of population living in poverty	10% (2017)	35%	Analytical paper by Simon Appleton using UNHS 1999/2000 Survey data	Information from the 2002 UNHS will be available in June 2003.
Main sources of household income in Uganda			UNHS 1999/2000 data	
<i>Crop farming</i>		32%		
<i>Other agricultural enterprises</i>		26%		
<i>Salaries and wages</i>		20%		
<i>Current transfers and other benefits</i>		13%		
<i>Property income</i>		9%		
<i>Total</i>		100%		
Proportion of population in thatched houses		40.3	UNHS 1999/2000 data	
Proportion of rural households that are landless				Information not available.
Share of non-farm employment by sex and location				Clearer definition of this indicator is needed. Data will be available when analysis of the Informal Sector Survey and the Uganda Business Enquiry survey is completed in mid-2003.
Use of electric power by rural households	10% (2010)	1% (2%)	UNHS 1999/2000 data (MEMD Energy Policy 2002)	
Access to vocational education by sex				Data not available.
Proportion of the population with access to micro-credit		10%	UNHS 1999/2000 data, refers to %age that ever applied for a loan	
Yield Rates of Major Crops	400%			Data not available. UBOS is piloting an agricultural census.
Contact rates with extension services: % of households that received advice from contact workers		11.4	UNHS 1999/2000 data, but with the questions referred to 1998	

Annex 5: Summary indicators for enhancing incomes of the poor

Indicator	Target	Current Status	Data Source	Comments
Proportion of farmers aware of improved technologies		10.2%	% of farmers using improved seeds, UNHS 99/00	
Proportion of sub-counties with sources for seeds, planting and stock materials		5%	UNHS 99/00	
Access to agricultural inputs by sex and location		10%	% of farmers that use any improved seed or apply pesticides (Jagger and Pender, 2001)	Information not available.
Access to markets		77%	% of communities with access to Consumer markets, 99/00 Survey	
Proportion of markets with minimum standards			(Indicator not available)	
Real output prices by location			???	
Support infrastructure				
Mean Distance traveled to fetch water		1.1km	UNHS 1999/2000 data	
Mean Distance traveled to fetch firewood		0.9km	UNHS 1999/2000 data	
Proportion of land area covered by forest		24%	MWLE, 2002	30% of tropical high forests are degraded.
GDP per unit of energy use				Data not available. It would be possible but very complicated to calculate this. A clearer definition of what is required is also necessary.

**Annex : 6: Rural Safe Water Supply Service Levels, By June 30, 2000 and June 30, 2002**

District	June, 2000						June, 2002					
	Protected Springs	Handpumps		Gravity Schemes		% age	Protected Springs	Handpumps		Gravity Schemes		% age
		Deep B/holes	Shallow-wells	No. of Scheme	No. of Taps			Deep B/holes	Shallow-wells	No.	No. of Taps	
Bundibugyo	270	40	19	3	90	46.2%	287	40	22	4	120	47.8%
Kabale	1,242	104	26	16	296	56.2%	1,297	112	26	17	361	55.9%
Kabarole	719	91	371	4	110	70.1%	730	122	396	5	121	77.5%
Kamwenge	823	59	142	2	88	73.5%	829	59	150	2	88	78.7%
Kyenjojo	503	118	71	2	26	50.1%	513	126	83	2	26	52.9%
Kasese	683	187	0	12	1,296	91.6%	792	207	-	12	1,297	68.7%
Kisoro	335	13	0	3	36	31.2%	384	14	-	3	91	36.3%
Mbarara	990	734	0	13	270	44.9%	1,043	800	73	15	344	48.7%
Ntungamo	519	248	1	4	25	39.5%	699	248	43	4	57	54.8%
Kanungu	762	111	6	4	103	76.4%	787	111	12	4	103	65.5%
Rukungiri	1,189	149	13	18	96	87.4%	1,259	149	54	18	518	79.9%
<b>Total (South West)</b>	<b>9,128</b>	<b>2,273</b>	<b>651</b>	<b>92</b>	<b>2,590</b>	<b>60.4%</b>	<b>9,920</b>	<b>2,409</b>	<b>943</b>	<b>98</b>	<b>3,491</b>	<b>64.7%</b>
Iioima	378	366	63	3	19	71.4%	417	407	123	3	38	68.2%
Kalungala	24	2	0	1	8	36.4%	27	2	19	1	8	45.8%
Kibaale	423	218	116	-	0	65.4%	506	218	213	-	-	68.2%
Kiboga	138	206	118	2	29	67.8%	195	304	180	2	40	73.0%
Luwero	105	707	225	-	0	51.8%	138	741	354	-	-	59.4%
Masaka	321	536	65	-	0	29.6%	390	537	232	-	-	34.5%
Masindi	333	481	24	1	11	58.9%	364	521	103	1	11	63.8%
Mpigi	345	264	130	2	11	45.5%	533	375	361	2	31	57.5%
Wakiso	269	198	229	2	28	27.9%	301	198	295	2	29	24.7%
Mubende	246	219	223	1	9	30.7%	271	273	319	1	28	35.3%
Nakasongola	0	165	57	0	0	49.4%	-	192	57	-	-	54.0%
Rakai	241	353	71	-	0	36.3%	263	355	177	-	-	42.3%
Sembabule	0	112	0	-	-	18.6%	-	116	48	-	-	26.2%
<b>Total (Central)</b>	<b>2,823</b>	<b>3,827</b>	<b>1,321</b>	<b>12</b>	<b>115</b>	<b>42.3%</b>	<b>3,405</b>	<b>4,239</b>	<b>2,481</b>	<b>12</b>	<b>185</b>	<b>51.7%</b>
Adjumani	16	166	39	1	11	58.6%	21	173	78	1	11	66.3%
Apac	314	519	133	-	0	43.4%	344	547	191	-	-	46.9%
Arua	772	597	12	2	6	50.3%	849	627	75	2	23	51.0%
Yumbe	15	314	9	-	0	63.7%	25	465	19	-	-	62.5%
Gulu	561	461	17	-	0	47.4%	600	343	72	-	-	51.2%
Katakwi	44	254	31	-	0	34.8%	44	307	68	-	-	40.3%
Kitgum	0	469	64	-	0	58.6%	-	534	81	-	-	55.1%
Pader	0	184	32	-	0	23.0%	-	193	32	-	-	23.7%
Kotido	30	414	68	1	0	56.3%	30	464	72	1	-	57.7%
Kumi	96	258	22	-	0	26.8%	165	271	135	-	-	37.4%
Lira	682	412	163	2	54	48.7%	732	442	221	2	54	52.5%
Moroto	16	361	0	5	15	58.0%	21	429	19	5	15	68.8%
Nakapiripirit	0	250	0	-	0	43.4%	4	258	4	-	-	48.1%
Moyo	58	320	6	2	7	85.7%	70	331	54	2	31	71.7%
Nebbi	440	667	75	3	33	68.8%	513	674	118	3	53	72.2%
Kaberamaido	46	144	27	-	0	46.4%	46	159	27	-	-	48.6%
Soroti	112	452	100	-	0	49.4%	113	526	198	-	-	57.3%
<b>Total (Northern)</b>	<b>3,202</b>	<b>6,242</b>	<b>798</b>	<b>16</b>	<b>126</b>	<b>51.0%</b>	<b>3,577</b>	<b>6,743</b>	<b>1,464</b>	<b>16</b>	<b>187</b>	<b>55.0%</b>
Bugiri	35	289	47	-	0	49.8%	35	321	54	-	-	58.9%
Busia	56	150	41	-	0	41.8%	88	215	42	-	-	59.5%
Iganga	91	792	84	-	0	63.0%	97	816	93	-	-	59.5%
Mayuge	4	256	22	-	0	44.7%	12	257	23	-	-	41.3%
Jinja	156	172	121	-	0	46.5%	188	178	135	-	-	41.3%
Kamuli	6	934	113	-	0	43.9%	6	971	137	-	-	49.2%
Kapchorwa	179	33	0	4	83	39.0%	284	33	-	4	100	55.7%
Mbale	442	230	27	9	173	30.7%	606	301	35	9	279	41.4%
Sironko	403	61	27	2	13	41.2%	412	61	34	2	13	41.1%
Mukono	1,029	45	242	1	7	39.1%	1,168	86	353	1	7	59.1%
Kayunga	178	552	156	-	0	64.1%	178	564	179	-	-	48.6%
Pallisa	148	265	6	-	0	25.3%	150	352	21	-	-	31.0%
Tororo	68	827	0	-	0	45.7%	98	864	4	-	-	46.3%
<b>Total (Eastern)</b>	<b>2,795</b>	<b>4,606</b>	<b>886</b>	<b>16</b>	<b>276</b>	<b>44.3%</b>	<b>3,322</b>	<b>5,019</b>	<b>1,110</b>	<b>16</b>	<b>399</b>	<b>45.7%</b>
<b>Grand Total</b>	<b>17,948</b>	<b>16,948</b>	<b>3,656</b>	<b>136</b>	<b>3,107</b>	<b>49.3%</b>	<b>20,224</b>	<b>18,410</b>	<b>5,998</b>	<b>142</b>	<b>4,262</b>	<b>54.9%</b>

Notes:  
1. Data sources are as follows: (i) Statistics Dept. for population projections; (ii) GPS Unit for GPS figures and (iii) District reports for data on handpumps & springs.  
2. Assumed SOURCE-MAN Ratio ==> (a) Springs = 200 persons; Handpumps (BHL, SW, HAW & HDW) = 300pple @ 80% function rate; GFS = 150pple/tap.  
(b) \*\* low population density districts ==> Springs = 150 persons; Handpumps = 200pple @ 80% function rate; GFS = 100pple/tap.

Annex 7 : Completed new Town Water Supply Schemes (FY 2000/01 to 2001/02)

Project - Donor	Town/Scheme	Design Production Capacity (m <sup>3</sup> /day)	Pipe Length (Km)	Connections	Kiosks	Population to be served	coverage	Completion date
Eastern Centres Water and Sanitation Project - DANIDA/GoU COST - US\$12m	1 Budadiri	282	28	300	0	17,100	100	Jan 2001
	2 Lwakhakha	218	48.5	212	0	14,670	100	Jan 2001
	3 Budaka	280	20.6	119	0	1,350	100	Jan 2002
	4 Busolwe	200	16.9	91	0	2,866	100	Jan 2002
	5 Busembatia	238	12.6	89	0	4,650	100	April 2002
	6 Kaliro	261	9.7	145	0	4,362	100	April 2002
	7 Kayunga	370	36.5	428	0	17,790	100	March 2002
	8 Buwenge	400	22.1	292	0	6,710	100	March 2002
	9 Kamuli	450	20.4	400	0	12,530	100	March 2002
	10 Pallisa	610	33.4	300	5	24,310	100	Dec 2001
	11 Bugiri	640	33.8	300	0	14,017	100	Sept 2002
	12 Luwero	680	19.7	250	5	23,300	100	Dec 2001
	13 Rukungiri	280	7.5	139	7	9,082	100	July 2000
	14 Ntungamo	250	9.8	115	7	4,870	100	July 2000
	15 Lyantonde	300	15.3	180	8	9,444	100	June 2000
	16 Kalisizo	215	5.6	173	7	5,338	100	April 2000
	17 Lugazi	800	11.2	120	5	28,978	100	July 2000
	18 Busia	1,260	21.1	150	6	32,364	100	July 2000
	19 Malaba	700	16.2	50	5	14,192	100	Dec 2000
South Western Towns Water and Sanitation Project/Austria COST - US\$5m	20 Kebisoni		7.5		20	6,512	100	2001
	21 Bugangari		2		8	1305	100	2000
	22 Buyanja		7.76		22	10,952	100	2001
	23 Kisiizi				11	3,260	100	2002
	24 Ishasha		1.1		7	238	100	2002
	25 Rubuguri		9		14	2,582	100	2001
	26 Karengyere/Muko				10	3,260	100	2000
	27 Hamurwa/ Karukara		5		14	1,894	100	2000
28 Rwashamaire	96	6.5		15	16,300	100	2002	
Support to Small Towns WSS - GoU COST - Ushs 200m	29 Nabiganda	120	9.9	89	0	5,007	100	June 2002
	30 Kamonkoli		12	88	1	985	100	Feb 2001
Kajjansi Water Supply - Italian Govt US\$ - 400,000	31 Kajjansi	1017	8.93		6	15,240	100	Dec 2002
JICA	32 Kiboga	100	8		10	7,000	100	2001
	<b>TOTAL</b>	<b>9,767</b>	<b>473</b>	<b>4,040</b>	<b>206</b>	<b>310235</b>		

### Annex 8 : Water Systems rehabilitated

Project – Donor		Town/Scheme	Production Capacity (m <sup>3</sup> /day)	Pipe Length (Km)	Services Connections (No)		Design Popn		Completion date
GOU	1	Moroto			50	10	14,919	70	2000
	2	Moyo	180		163	12	15,500	30	2000
	3	Ngora		14.5	19	2	20,000	100	2000
	4	Nkokonjeru		4	50	6	21,000	80	2000
		<b>TOTAL</b>	<b>180</b>	<b>18.5</b>	<b>282</b>	<b>30</b>	<b>71,419</b>		

### Annex 9 : Town Water Supply Systems Under Construction

Project – Donor		Town/Scheme	Product. Capacity (m <sup>3</sup> /day)	Pipe Length (Km)	Services Connections (No)		Design Popn	
Mid Southern Towns WSS - French AFD/ Cost- €2.1m Euros Support to Small Towns WSS- GOU Cost - Ushs 4.40 bn	1	Kakiri	354	13.1			5,844	
	2	Wakiso	340	12.8			10,341	
	3	Nansana	1110	20.8			24,802	
	4	Nakasongola		18		5	7,000	
	5	Nakasongola Barracks					20,000	
	6	Kapchorwa		19	87	21	12,000	
	7	Bombo						
	8	Kalangala	1,274	45.4	99	74	2,300	100
		<b>Total</b>	<b>3,078</b>	<b>129</b>	<b>186</b>	<b>100</b>	<b>82,287</b>	

### Annex 10: Town Water Supply Systems Under Detailed Design And Tender Stage

Mid Western Towns WSS-EU; Cost €17.0m Euros	1	Hoima	3600				49,600	60
	2	Masindi	3000				39,200	60
	3	Mubende	3500				44,600	40
Mid Southern Towns Water and Sanitation French AFD – GoU Cost €4.9m Euros	4	Lukaya	523	15.53			25,017	
	5	Kinoni	684	8.62			9,003	
	6	Ssembabule	156	8.139			6,600	
	7	Bukomansimbi	86	5.52			1,792	
	8	Kalungu	107	5.77			1,879	
	9	Kyazanga	379	10.5			14,173	
	10	Mbirizi	358	13.58			7,997	
Small Towns WSS – ADB Cost: study US\$2.0m, Investment US\$20m	11	Iganga	400				56,674	40
	12	Mpigi					18,647	
	13	Mityana					64,008	
	14	Apac					13,975	
	15	Kigumba						
	16	Pakwach					13,254	
	17	Nebbi					17,877	
Support to Small Towns WSS_GOU	18	Kyenjojo	993	11.237	100		14,278	
	19	Ibanda	1274	45.4	99	74	10,000	20
	20	Kyotera					10,151	
North Eastern Towns WSS-BADEA	1	Soroti					120,763	75
	2	Kaberamaido					11,972	75
	3	Sironko					9,214	
		<b>TOTAL</b>	<b>15,060</b>	<b>124.3</b>	<b>199</b>	<b>74</b>	<b>560,774</b>	



### Annex 11 : Summary Indicators for Improving the Quality of Life of the Poor

<i>Indicator</i>	<b>PEAP Target (2005)</b>	<b>Current Status (2002)</b>
Life expectancy	N/A	43 (2000)
Infant mortality	68	88 (2000)
Maternal mortality	354	505 (2000)
Nutrition (stunted)	28%	39% (2000)
<b>Health</b>		
OPD coverage	0.50	0.60
Immunization coverage (DPT3)	60%	65%
Percentage of approved posts filled with qualified health workers in public and PNFP facilities	50%	42%
Deliveries in public and PNFP facilities	35%	19%
HIV prevalence	5%	6.5%
Proportion of people seeking medical care	N/A	N/A
<b>Education</b>		
Literacy rate	50% (2007)	63% (2001)
Net primary school enrolment	98%	N/A
Pupil/trained teach ratio	49.1	54.1
Pupil/textbook ratio	3 : 1	0 <sup>1</sup>
Pupil/classroom ratio	92:1	94:1
Proportion of pupil enrolling in P1 who reach P7	N/A	57% (Boys:60%; Girls:54%)
Performance at P.L.E.	N/A	2001 Pass Rate: 78.8%; 2002 Pass Rate: 74.5%
<b>Water and Sanitation</b>		
Rural water coverage	65%	54.9%
Proportion of rural population within 1.5 Km to safe water	60% (2004)	52 (2001)
Proportion of population with good sanitation facilities	60% (2004)	50% (2001)

<sup>1</sup>PTR is zero because of introduction of a new curriculum in 2000/2001. But a wide range of non-textbooks has been distributed to all P1 and P2 classes. A total of 3,426,120 books have been distributed to P3 and P4 classes. The cycle to purchase and distribute books to P5-P7 classes has been launched.