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INTERNATIONAL
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UGANDA

COUNTRY DEVELOPMENT STRATEGY STATEMENT

FY 82

BEST AVAILABLE

MARCH 1980

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
WASHINGTON, D.C. 20523

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EMBASSY OF THE
UNITED STATES OF AMERICA
Kampala

March 22, 1980

Mrs. Goler T. Butcher
Assistant Administrator
Bureau for Africa
Agency for International Development
Washington, D. C. 20523

Dear Mrs. Butcher:

The AID Mission has just completed the Interim Country Development Strategy Statement for Uganda. I am impressed with its excellent analysis of Uganda's desperate economic situation, and concur fully with its conclusions and recommendations.

Readers of the CDSS will, I hope, appreciate the great difficulties in establishing development goals and priorities during this interim period. Uganda's economic assistance needs are immense and include virtually all sectors of the economy; available resources, unfortunately, are severely limited. This places a premium upon setting clear priorities and demarcating carefully that which is essential from that which is desirable. The CDSS directly confronts this issue of priorities, and has correctly concentrated the AID program on a few key problems with which we can best assist.

AID program concentration is not only good development strategy, it is also good management. I have encouraged and support fully the concept of a lean AID Mission. I have no doubt that the Uganda AID program can be effectively carried out with the small staff proposed, providing AID takes the requisite care to select well qualified personnel. It is imperative, however, that AID act quickly to assign the few people requested if the strategy is to become reality.

In sum, I believe the proposed AID strategy is well conceived and sound, and will effectively further both the developmental and political interests of the United States. I urge that it be quickly approved so that implementation can move ahead without further delay.

Sincerely,

David Halsted

David Halsted
Charge d'Affaires

INTERIM

COUNTRY DEVELOPMENT STRATEGY STATEMENT

USAID/KAMPALA

I. INTRODUCTION: THE PROBLEM AND THE APPROACH

USAID/Uganda has prepared an Interim Country Development Strategy Statement (CDSS) rather than the normal long-term CDSS. AID has just reestablished itself in Uganda after an eight-year hiatus and must give priority attention to short-run policy issues entailed in starting a new program. In contrast to other AID missions which have established, ongoing programs, and can therefore concentrate on development options two years out, USAID/Uganda is starting de novo and must give preeminent attention to the present and near future.

This argument is strongly reinforced by the current development context. The Government of Uganda (GOU) with which the mission must work is itself a provisional and interim administration, and even the possibility of long-term development planning depends upon how effectively urgent short-term requirements are met. An interim statement is necessary in order to take account of the unique and uncertain circumstances in which the AID program has been reestablished in Uganda.

THE PROBLEM

Nearly a decade of military misrule sharply reversed promising development patterns of the 1960s, and a successful war of liberation in early 1979 brought extensive destruction to an already weakened economy. The political fabric of the country was always delicate because of ethnic, regional and sectarian tensions, but it was effectively shredded by years of disastrous military rule. The Interim Government of Uganda, therefore, faces enormous problems centered on the recovery of the economy and, because it inherits political and administrative disarray, it can mobilize few political and economic resources to address these problems.

Uganda's immediate rehabilitation needs far exceed its available resources. Unless Uganda receives appropriate, generous, and timely foreign assistance during 1980 and 1981, the chances of the country realizing its strong potential for development are remote, and the possibilities of restoring civil order and the economy will be severely limited.

Uganda's current circumstances argue against long-term planning efforts because the government has not been able to develop clear development priorities. There are two main reasons for this. One is the urgency and complexity of the problems with which the government must deal, as well as the lack of established administrative practices and personnel resources for doing so. In the absence of a coherent host government program, few long-range goals for development assistance can be set with any confidence by donor agencies.

Another reason is that the interim government is composed of diverse political factions, which makes cooperation very difficult. The present interim government is to serve only until elections in June 1981 at the latest. Regularized patterns of political action and decision-making have yet to become apparent. Consequently, the interim GOU has yet to gain the authority necessary to implement government policies and plans. On the other hand, it is generally accepted among Western observers that any alternative government that is not elected is likely to be even less successful than the present one in uniting the country.

In short, both the stakes and risks of assistance to Uganda are high. If the course of political and economic developments over the next two years is favorable, the writing of a conventional five-year strategy now might be of use for heuristic purposes, but it would almost certainly have to be revised fundamentally after the elections, when the new government establishes its own priorities. As the policy preferences of the new Government of Uganda become clearer, it will then become appropriate to produce a normal five-year strategy.

THE APPROACH

We conclude that AID should work with the interim government and support its efforts to begin rebuilding the country from the ruins left by the military regime. Economic assistance from the U.S. would help it make the peaceful transition to the democratically elected government that has been promised. Success in achieving this transition is in turn the key to the ability of the mission to contribute in the longer run to realizing the AID Mandate objective of helping the poor majority. In adopting this perspective, AID must be prepared to anticipate an absence of clear and consistent policy directives by the interim administration.

An underlying consideration is that the U.S., which has been a significant contributor to Uganda's development in the past and which was a leading critic of the Amin regime, cannot expect to be welcome to play a key role in Uganda's future development if it does not now do its share in picking up the pieces left by eight years of Amin's destructive rule.

The mission has attempted to address four questions in formulating its interim strategy:

1. What programs will most enhance the successful transition to a democratically elected administration, which will in turn create the most favorable circumstances for addressing the needs of Uganda's poor in a systematic manner?
2. What programs will meet the immediate requirements of stimulating economic recovery and, at the same time, set in place processes that are likely to be of long-term value and attractiveness to successive GOU administrations?

3. What programs, having both the foregoing long-term and short-term benefits, can be undertaken without exceeding the government's political and economic capacity to mobilize resources needed for their implementation?

4. What programs will make the best use of existing human, material and institutional resources in furthering Uganda's developmental objectives?

These questions imply tailoring the CDSS to the particular conditions of contemporary Uganda. The character of constraints that impede equitable growth are to be found not only in the familiar limitations of LDC economies but in the special problems that have affected Uganda over the past decade.

The strategy proposed below is divided into two interrelated phases. The first phase concentrates on the immediate need to rehabilitate the economy and in this way help bring about more stable economic and political conditions. It aims to restore productive capacity and lay the economic and social foundations for a successful transition from the present interim regime to a democratically elected one. This is not only the most effective way in the short run to help the poor majority, but it is an essential precondition for any broad-based participatory development process. This provides the principal underlying rationale for AID assistance to Uganda during FY 1980 and early FY 1981.

The second phase of the AID strategy will build upon the results of the first phase. Once rehabilitation is successfully underway, AID will begin to shift its attention to address selected long-term development problems that are likely to have the support of any future elected government. While design efforts must start immediately, implementation will not begin until FY 1981.

The difficulties facing AID as it seeks to help Uganda rehabilitate its wrecked economy and embark on a long-term development effort are numerous and self-evident. Less immediately apparent, however, are the unique opportunities the present situation offers AID to engage in creative and productive development work. The destruction of the past eight years, the weaknesses of the existing political and economic order, and the pragmatism of the current government present AID with an unusual opportunity to influence constructively the future parameters of development.

II. ANALYSIS

A. MACRO-ECONOMIC ANALYSIS

1. Introduction

Since late 1978, the Ugandan economy has been in almost complete disarray. This is partly due to the war of liberation which occurred in early 1979. A more basic cause, however, is the eight years of economic mismanagement under the Amin regime. In 1970 the economy was relatively strong. GDP per capita was $240, one of the higher in Africa. Coffee was the major cash crop and although coffee exports experienced relatively low growth during the late 1960s, it was lucrative both in terms of farmer incomes and government revenues. At the same time a major agricultural diversification program was underway so that by 1970 the major exports were: coffee (50.4 percent), cotton (17.4 percent), copper (8.7 percent) and tea (4.7 percent). Other agricultural products, notably tobacco, sugar and livestock products were being actively promoted and production was growing rapidly.

The relative economic vitality that existed at the time was based primarily upon agriculture, mostly at the small farmer level, but also throughout the economy as a whole. Government revenues per capita were relatively high by African standards, reflected in better than average education and health services for rural as well as urban peoples. Similarly the country's institutional and trained manpower base was relatively strong and the infrastructure was adequate to meet the economy's needs at that time. More important, confidence was generally apparent and resources were available for development outlays. A major indicator of this is the investment rate which in 1969-1970 was about 15 percent of GDP.

2. The 1971 - 1978 Period

The situation began changing soon after Amin came into power. Although the process by which deterioration set in was complex, the basic causes were fairly straightforward. They were: (a) the arbitrary rule where rewards depended more on personal contacts than on performance and productivity, (b) the exodus of trained manpower and key personnel in business and finance--Asian, African, and European, and (c) inflationary monetary and fiscal policies brought on by the economic disruptions.

Arbitrary rule, which affected all communities in the country simultaneously, received world attention by the way that it fell upon the expatriate communities. Responding to deeply felt popular grievances over past trade malpractices on the part of Asian businessmen, particularly the small shopkeeper, Amin in 1972 expelled the Asians en masse, seriously disrupting the system by which credit was extended and goods and produce marketed. As a number of highly skilled Africans and Europeans also departed from the scene, it became difficult to find the managers and technicians needed to replace them. This general exodus of skills (and their capital) had a noticeable effect on aggregate productivity. Businesses operated at less than full capacity, stores ran down their stocks, marketing channels became clogged, and supplies of spare parts and goods became scarce.

In terms of impact on the overall economy, the key sector affected was export crops. As losses began occurring in the parastatal sector and the marketing of export crops became less efficient, government revenues could not keep up with expenditures. Increasing deficits were financed by inflationary overdrafts from the Central Bank. As rapid inflation set in the Government kept prices low on key commodities, including export crops. The returns to the production of these crops declined, which in turn brought about a drop in export earnings and increasing trade deficits. Eventually, Uganda was unable to obtain foreign credit and import levels declined along with exports. This affected the availability of imported consumer goods as well as a wide range of intermediary and capital goods needed for domestic manufacturing and maintenance of infrastructure. These commodity shortages were accompanied by a fixed exchange rate which greatly overvalued the Uganda Shilling, and by an extensive pattern of price and wage controls substantially below what they would be in a free market. The inevitable result was a rapid increase in the unofficial exchange rate and expanded black market operations (magendo)*.

This state of affairs had two consequences that led to a major breakdown of the Ugandan economy. The first was that eventually there was little incentive to produce cash crops and market them through official channels. For example, between 1970 and 1978 the producer price for coffee tripled while the Kampala low-income cost of living (which reflects to some extent the consumption basket for farmers in the cash economy) rose 11 times. Coffee production dropped and smuggling increased. The impact on other export crops where original profit margins were lower than for coffee was even greater. Second, it became uneconomic for most employees in the modern sector to work at official wage levels. Many left outright and either returned to rural areas where they practiced subsistence agriculture or became part of the magendo economy. Of those who stayed most were forced to rely on magendo to supplement their regular incomes. Offices were

* "Magendo" is usually translated into English as "black market." In actual use, magendo frequently has a broader connotation which includes a range of corrupt practices not normally implied in the term black market. For example, the bribes taken by a civil servant for services or special favors are part of magendo. Because of this broader meaning, use of the term magendo has been retained throughout this paper.

increasingly empty and most manufacturing enterprises produced at well below capacity. Most government and quasi-government services became ineffective including health care, education, tax administration and cooperatives.

By 1978 the economy was operating at a very low level compared to 1970 and the deterioration process was accelerating. GDP is estimated to have dropped by one percent per year in real terms since the early 1970s which implies a drop in per capital GDP of over 30 percent by 1978. During the 1970-1978 period, the non-monetary economy, primary subsistence agriculture, increased by about 3 percent per year. The monetary economy on the other hand dropped significantly as reflected in the following table.

TABLE 1

PRODUCTION OF SELECTED AGRICULTURAL AND INDUSTRIAL COMMODITIES

	Unit	Production	
		Peak Year	Latest Year
Monetary Agriculture			
Coffee	'000 metric tons	251 (1969)	120 (1978/79)
Cotton	" " "	76 (1970)	15 (1978/79)
Tea	" " "	21 (1976)	11 (1979)
Sugar	" " "	144 (1970)	8 (1979)
Tobacco	" " "	5 (1972)	2 (1979)
Manufacturing		Average 1971-73	Latest Year
Consumer Goods			
Vegetable oil	" " "	14	1 (1978)
Cotton oil	million sq. meters	44	25 (1978)
Blankets	million pieces	1,154	595 (1978)
Soap	'000 metric tons	11	1 (1978)
Industrial Goods			
Steel ingots	" " "	13	3 (1978)
Corrugated iron sheets	" " "	11	2 (1978)
Cement	" " "	171	50 (1978)
Hoes	million pieces	1	- (1978)

Source: IBRD, based on data provided by the Ugandan authorities.

In value-added terms the entire manufacturing sector declined almost 30 percent between 1975 and 1978. During this same period mining dropped by 40 percent per year and finally stopped altogether in 1978.

The economic distortions that had seriously affected external trade during the 1970s and led to an expanded magendo economy became measurably worse in 1977 and 1978. Inflation during these two years substantially exceeded 50 percent per year. The government was expanding the money supply with deficits amounting to 40 percent of expenditures and supply shortages became increasingly severe. During that time agricultural producer prices, except for cotton, remained unchanged as did the minimum wage. Overall, wages did increase in 1976 and 1977 by 15 percent per year in the private sector and 28 percent per year in the public sector, but this did not come close to compensating for inflation. Consequently, subsistence food production continued to increase and magendo became even more necessary for survival in the non-agricultural areas.

3. Recent Developments

The physical disruption caused by the war of liberation simply compounded already existing economic problems. Offices, hospitals, schools and manufacturing plants were looted bringing much of the formal sector to a standstill. The truck fleet declined further to 1600 compared to 7000 in

1970. Prices of essential commodities, especially foodstuffs, soared. Sugar, for example, which had cost UShs 1.50 per kg in 1970 and UShs 15 in 1978 reached a level of UShs 100 per kg in December 1978.

The war ended in April 1979 and the new government took steps to address not only the disruption of the war but also some of the problems that had existed in 1978. The immediate need was for imports of essential commodities. This was met partly with the help of emergency foreign assistance, partly by the fact that previously stored goods which had been looted during the war were now placed in circulation. In a brief period shortages diminished greatly. The price of sugar, for instance, had fallen to UShs 40 per kg one month after the Interin Government assumed power.

Since then the government has taken other measures to begin the recovery process. In July export crop prices were increased as follows:

	UShs/Kg	
	1978	1979
Coffee		
Robusta	3.50	7.00
Arabica	3.65	15.25
Cotton	5.00	6.00
Tea	1.35	2.00

These price increases have already had a positive impact on the marketing of export crops through official channels.

Other steps taken by the government include the setting up of a formal system of import licensing and the preparation of a reasonably non-inflationary budget for 1979/1980. Both have received the approval of the IMF. The government is also continuing to mobilize large amounts of rehabilitation assistance from the World Bank, IMF, EEC and other donors to assure that some of the more critical shortages will continue to be alleviated. The next section discusses additional steps that must be taken if Uganda's economic recovery is to succeed and provide a sound basis for renewed long-term growth.

4. The Recovery Period: 1980-1981

The major implication of the analysis in Section 2 above is that the benchmark period against which to set recovery targets is 1970 rather than 1978. Seen in this light there are two aspects to economic recovery in Uganda. One is rehabilitation of the economy and removal of the economic distortions that led to *magendo* and the other is regaining the development momentum that existed in 1970. Rehabilitation will remove the physical constraints to production that were caused by the war of liberation and years of disinvestment under Amin. The removal of economic distortions will bring back the production incentives whose absence led to the chaotic and depressed conditions of 1978. Both are needed to get the economy functioning again.

The major requirement with respect to rehabilitation of the productive base is imports of capital goods. This includes vehicles (primary trucks), railroad rolling stock, equipment for manufacturing and to a lesser extent agriculture, and equipment needed to provide key economic services, especially those related to agriculture. The removal of distortions in economic incentives is more complicated and involves not only the import of commodities to eliminate the most critical shortages (certain consumer goods, products needed in the social services, agricultural implements and inputs, and intermediary goods for domestic manufacture), but also policy measures relating to the exchange rate, wages and relative prices. As long as the exchange rate, consumer prices, producer prices and wages in the monetary economy do not reflect real supply and demand, an active parallel market will prevail. This fundamentally distorts effective investment and resource allocation and makes it impossible to maintain the equilibrium and stability that are prerequisites for increased productivity and economic growth.

Looking ahead to 1980 and 1981 it is clear that the commodity imports needed to rehabilitate the productive sectors and remove critical shortages greatly exceed the foreign exchange that will be available from export earnings, private investment and anticipated aid flows. Although considerable emergency commodity assistance was provided in 1979, only a small portion actually arrived before the end of the year. Consequently, imports in 1979 were only $346.7 million, slightly less than in 1978. For 1980, the first full year of reconstruction, the government estimates that import requirements will be about $1 billion. 1/ This is roughly equal in real terms to imports in 1970/1971. Even this level of imports, however, would not permit a return to the 1970/1971 level of economic activity since a large proportion would be for rehabilitation and inventory buildup. Other estimated foreign exchange requirements for 1980 are: $105 million for services, $45 million to reduce payment arrears and $48 million to increase foreign exchange reserves. Total foreign exchange requirements are thus estimated to be about $1.2 billion.

Against this requirement export earnings are projected to total $450 million. The basic assumption underlying the projection is coffee exports of 145,000 tons (up from an estimated 136,000 in 1978) at a world price of $3.20/kg and other exports of $30 million up from about $15 million in 1978. This level of export earnings means that $780 million of additional import financing will be required from all sources. At present it appears that less than $400 million in quick

1/ This estimate is based on analyses carried our in conjunction with the Commonwealth Fund team, the IMF and the World Bank.

disbursing commodity assistance will be made available. This implies that the rehabilitation program will have to be extended into 1981 and commodity shortages will continue although to a much lesser extent than at present.

The commodity import program, which has already started and needs to be expanded, is an essential first step in the recovery process, but it will not have much impact in the absence of an integrated set of policy measures that includes devaluation and large increases in officially controlled prices and wages. At the present time the unofficial exchange rate is roughly ten times the official rate. This large difference is due partly to the tremendously high increase in money supply since the mid-1970s and partly to the drastic reduction in export earning from all scurces. At the same time, wages have not kept up with prices. Consumer prices have been increasing by 50 percent per year while wages have been increasing by less than 25 percent. Agricultural producer prices have also lagged behind consumer prices.

Since the effect of a devaluation would be to increase the value of foreign exchange in terms of Uganda shillings, this would permit the government to raise the producer price of export crops to induce increased production and stop smuggling. Devaluation combined with wage and price increases would also reduce the incentives for magendo. Imports would come into Uganda at a cost that more closely reflects their value in Ugandan shillings, and as prices and wages more accurately reflected supply and demand conditions, the incentive to operate on the parallel market would diminish. In the absence of these changes smuggling will continue, and it will not be possible to increase the flow of exports through official channels. Moreover, there will continue to be little or no incentive to work in the formal, monetized sectors of the economy. This in effect means that a significant and sustainable economic recovery would not take place.

The government has already begun taking steps to address the problem. As noted above, producer prices have been increased substantially. Definite plans for the coming year include a devaluation and increased public sector wages. It is also likely that there will be further increases in producer prices as well as a substantial increase in the minimum wage.

One key issue concerns the size of the devaluation. If it is not large enough to reflect the true value of foreign exchange under equilibrium conditions, controls will continue to be required. At a minimum, the devaluation must be large enough to make possible the higher producer prices necessary to bring about increased export crop production without entailing revenue losses or outright producer subsidies the government cannot afford. Also, the devaluation has to be large enough to make the foreign exchange allocation system significantly more workable than at present. This has been the subject of extensive discussions between the GOU, the IMF and the IBRD and will be one of the key considerations in determining the size of the devaluation.

Although the aid and policy measures discussed above will bring about economic recovery and stability, regaining the development momentum lost during the Amin years will require further changes which will take more time. The key requirements are (a) increased confidence on the part of the business community as well as the labor force, (b) the return of skilled manpower from outside the country, and (c) the revitalization of development institutions and private enterprises. These reforms cannot occur without a definite change in attitudes and expectations that will in turn be based on political and economic stability sustained over a period of time.

As far as economic conditions are concerned, the government seems to be headed in the right direction. Relatively non-inflationary monetary and fiscal policies have been adopted; the investment code that pertained to foreign investment in 1964 has been reinstituted (although the industries where private foreign investment is permitted are much fewer than in 1964); increased efficiency in the large and critically important parastatal sector is receiving priority attention; and the government has adopted a policy of increased discipline in its balance of payments. This is not to predict that the GOU will succeed in all of its economic policy initiatives but rather to indicate that the broad policy orientation of the existing government is conducive to a return to sustained growth and development.

B. ANALYSIS OF POVERTY

1. Overview

With some 90 percent of its population living in the rural areas and with the economy heavily dependent upon the exportation of such cash crops as coffee, tea, and cotton for its foreign exchange earnings, the agricultural sector is critical to the wellbeing of the society at large. Uganda has most of the usual problems of developing countries: low income; dependency upon the vicissitudes of international markets; regional, rural-urban income, and sex disparities; and, the rapid population growth normally prevailing in tropical African countries. In addition, Uganda has also been burdened with three recent developments that constrain the society's general wellbeing: A near decade of misrule under General Idi Amin; a destructive liberation war in 1978/1979; and a weakening of interterritorial linkages in East Africa that inhibits developmental prospects.

The plight of the poor worsened considerably as a consequence of Amin's mismanagement and the subsequent war of liberation. In 1970, the highest 5 percent of households received 20 percent of private income and the highest 25 percent of households received 66.6 percent. The poorer 60 percent of households account for 22.8 percent of all private incomes, a maldistribution of earnings similar to other tropical African countries. What this meant in terms of disposable incomes is readily apparent from the first column in Table 1. Those in the high income bracket could afford a wide range of amenities, including housing, automobiles, servants, entertainment, pharmaceuticals, and personal effects--those in the low income bracket, however, had to limit their expenditures to such basic items as food, drink, tobacco, fuel, soap, clothing, and household goods.

Table I Uganda: Kampala Cost-of-Living Indices, 1974-78

(Base: January 1960 = 100)

	Weight	1970-73 Average	1974	1975	1976	1977	1978
High-income index							
Food	25.4	152	244	295	423	750	1,031
Drink and tobacco	7.0	183	278	332	459	640	1,060
Transport	34.9	170	287	322	428	531	610
Household	11.6	131	178	200	222	261	388
Clothing and footwear	7.2	156	222	289	291	291	291
Pharmaceutical and personal	2.2	165	183	243	301	315	607
Domestic servants	7.5	148	140	149	160	160	160
Entertainment and miscellaneous	4.2	154	208	242	241	410	478
Average weighted index of all items	100.0	158	241	280	365	508	658
Middle-income index							
Food	41.7	170	349	417	617	1,254	1,820
Drink and tobacco	16.5	174	256	306	461	760	1,237
Labor	3.8	190	214	221	221	221	221
Transport	8.3	122	149	162	206	372	372
Fuel	4.3	119	210	245	391	622	661
Personal medicines and household	13.6	165	222	253	308	319	758
Clothing	10.6	163	238	310	312	312	312
Miscellaneous	1.2	135	174	241	249	249	409
Average weighted index of all items	100.0	164	275	327	454	794	1,172
Low-income index							
Food	70.0	176	341	442	671	1,371	1,997
Drink and tobacco	11.0	134	212	217	267	373	653
Fuel and soap	8.0	128	268	389	710	1,072	1,387
Household goods	2.0	191	522	513	513	513	590
Clothing	9.0	210	390	412	412	412	1,250
Average weighted index of all items	100.0	171	341	410	601	1,133	1,705

As the country passed through the hard times of the seventies, the conditions of the poor worsened noticeably. Throughout much of the Amin period, the economy showed a low or negative growth rate and expansionary fiscal policies pursued in the face of declines in cash crop and industrial production led to a spiralling inflation that boded badly for the many poor. It was no wonder that the breakdown of the financial structure, combined with the social effects of military mismanagement, resulted in the emergence of a magendo economy.

Many of the most disadvantaged were those people unable to participate in the magendo economy, e.g., those without power or influence to sell; those on fixed wages or salaries who were unable to keep pace with the spiralling consumer prices; those who were unable to secure import licenses or foreign exchange; those lacking opportunities to engage in smuggling; those unable to gain access to subsistence farming activities; and so forth. Such people would include the landless, the unemployed, the poorest paid employees in the modern economy; and those who bore the brunt of the war and its aftermath. In addition, as many smallholders in the rural areas retreated into subsistence, and as government services deteriorated, a not inconsiderable price was paid in terms of education foregone, limited access to markets and consumer goods, inadequate health care facilities, and lack of support from extension services. The retreat into subsistence farming enabled many people to survive the Amin period, but at a substantial price in terms of per capita incomes and the general availability of goods and services.

Keeping in mind the difficulties of defining the poor with any precision, particularly in the circumstances of rural Uganda, it is nonetheless possible to disaggregate the poor majority in rather general terms. In doing so, we will necessarily isolate out a variety of interrelated and overlapping socio-economic and geographical characteristics.

2. Identification of the Poor

(a) The Smallholders. Many of the smallholders, self-sufficient peasants who rely primarily on family labor to produce either food crops or cash crops for the market, frequently operate at relatively low levels of productivity. In general, these smallholders farm on plots of two hectares or less in the southern part of the country (particularly in the fertile areas around Lake Victoria). They tend to lack the equivalent access to essential services, credit facilities, and production assistance available to their larger counterparts and consequently earn incomes which provide lower levels of material wellbeing. This situation allows for their inclusion among the large body of Uganda's poor. The smallholders constitute an essential part, nevertheless, of the Uganda economy, contributing a high proportion of the coffee, cotton, and tobacco produced in the country.

(b) The Pastoralists. As a group the pastoralists do not fit easily into the larger category of the poor. Living and managing their herds in largely communal setting, the egalitarian pastoralists of northern Uganda have worked out a way of life which appears fulfilling. If they are to be included among the poor, then, it must be done essentially in terms of such Western-derived criteria as access to material goods, political participation, and access to markets and transportation. Certainly the pastoralists could be expected to include themselves among the poor when they lose their flocks as a result of natural disaster, are denied their best grazing lands, are cut off from indispensable water resources, or witness the destruction of their goods and property in the liberation war or the unsettlement in its aftermath.

(c) Urban and Rural Wage Earners. Rural and urban wage earners must be included among the poor if they are unemployed, underemployed, or if their incomes are low. In general, the destruction wrought by Amin's mismanagement of the economy and the war of liberation, which were the major reasons for the growth of magendo in Uganda, have had a severe negative impact on both rural and urban wage earners. Those rural dwellers who have worked for wages or who have depended on off-farm employment for supplementary earnings have seen their incomes drop significantly. Not only is money for clothes, school fees, and other necessities difficult to come by, but such social services or amenities as transportation, health, education, water and public security are now frequently of low standard--if they are provided at all. If Uganda is to apply the principle of equity in a more determined way in the future, it is mandatory that the rural wage earner secure an increase in disposable income as well as improvements in the basic social services available for his or her use.

For the urban wage earning population, the consequences of the last decade of maladministration have significantly undercut their standards of life. Real incomes have dropped, opportunities for gainful employment have declined, and basic social services have proved to be clearly inadequate, and in some instances, plainly nonexistent. As noted in Table I, the disparities in urban incomes are pronounced, resulting in substantially different lifestyles and opportunities as between the relatively highly paid urban dwellers and their relatively disadvantaged urban counterparts. With inflation rampant a worker must secure necessities on the black market or not at all. A bottle of beer, when it can be procured at all, costs USh 100--or more than twice of the daily wage paid to local construction workers! In time, it is essential for government to ensure that a more egalitarian policy prevails with respect to urban incomes and the provision of social services and amenities, or the consequences are likely to be severe in terms of future political and economic instability.

(d) Disadvantaged Regional and Ethnic Peoples. Because colonial rule affected some regions of Uganda more than others, the country came to develop unevenly. Thus Buganda, the administrative, political and economic hub of the new state, grew relatively rapidly and came to boast a relatively advanced system of social services and economic opportunities. By contrast, such peripheral areas as Karamoja remained remote from the centers of economic, social, and political activities. Such pastoral communities remained largely isolated from the modern economy as well as from its transportation system, advanced educational network, sewerage disposal plants, welfare agencies, and bureaucratic infrastructures.

Evidences of unbalanced development among the different geoethnic areas of the country are readily at hand. Although opportunities for primary education are fairly evenly shared by region, with the exception of Karamoja for which special grants have been provided, that for secondary education shows sharp variations in children enrolled by province, with Central Province populated by Baganda enjoying a disproportionate share of both pupils and places. Similarly, the distribution of power boreholes in 1979 reveals that Bukedi, Teso, Karamoja, Lango, Acholi, Madi, and Bunyoro Districts were well below the Uganda average (Table 3). Finally, great variations by district appear with respect to the availability of beds in hospitals and health clinics ranging from 0.91 in Mubende to 2.5 beds per 1000 persons in Madi. (Kampala, the national medical center, has 8.18 beds per 1000. See Table 4.) Clearly, the Ugandan Government must attempt to equalize interregional differences, or, in time, geoethnic feelings of deprivation may spill over into serious intergroup tensions.

(e) Women. In Uganda the disparities between men and women in terms of opportunities appear to be about the same currently as they were in 1970. For example, the male enrollment rate in primary school in 1970 was 72 percent, females 49 percent; in 1977 it was 61 percent for males and 42 percent for females. Similarly, in secondary schools, there were 9 percent of eligible males and 3 percent of the females enrolled in 1970 and 10 percent and 4 percent respectively in 1977. Labor force participation shows like figures. Although these data indicate that the situation at least has not been deteriorating, they also indicate that there has been no discernible progress over the last ten years in improving the educational status of women or increasing their participation in the labor force.

In the early 1970s women in Uganda began seeking more active roles in decision-making and the economic life of the country. Women's groups were formed and a move by women toward greater participation in politics and various economic activities was becoming evident. Through the medium of the groups, women were beginning to demand a voice in decisions on matters affecting their special concerns in particular and, indeed, on other matters relating to social and economic development in general. We have no evidence to suggest that opposition to this trend was particularly stiff or widespread, or rooted in strong cultural bias.

Since it does not appear that there are any basic social or economic reasons why women would be excluded from taking a strong role in development, and since women's groups were developing strongly in the early 1970s, the role of women can be expected to grow rapidly. Women's groups are being reorganized and are beginning to make themselves heard. They seem to have managerial capability and if provided the necessary inputs should be able to begin strengthening their participation in the political and economic development of the country. A betterment in the status of women--educationally, economically, socially--should also lead indirectly to a positive impact on family planning practices and hence the population problem.

TABLE 2

PROPORTIONS OF CHILDREN ENROLLED

IN GOVERNMENT-AIDED SCHOOLS BY PROVINCE, 1977

National Average = 100)

Province	Primary	Secondary Pupils	Secondary Places
Nile	110	71	97
Northern	115	101	112
Karamoja	35	45	16
Eastern	109	99	122
Busoga	106	115	83
Central	106	267	150
N. Buganda	95	51	54
S. Buganda	89	98	93
Western	100	78	100
Southern	90	74	108

TABLE 3

DISTRIBUTION OF POWER BOREHOLES*: 1969.**

District	No. of Boreholes	Rural Population 1969+	Persons per Borehole
West Buganda East Buganda	) 248)	480,528) 835,561)	5,307
Mubende	93	327,746	3,524
Masaka	83	625,985	7,542
Busoga	416	835,851	2,009
Bukedi	388	504,786	1,301
Bugisu	101	398,121	3,942
Sebei	16	64,290	4,018
Teso	606	555,997	917
Karamoja (N and S)	367	275,092	750
Lango	456	497,880	1,092
Acholi (E and W)	352	442,649	1,258
West Nile	272	564,169	2,074
Madi	125	87,335	699
Bunyoro	293	340,606	1,162
Ankole	213	844,882	3,967
Kigezi	116	631,061	5,440
Toro	103	538,985	5,233
TOTAL	4,248	8,851,524	2,084

* Excludes power-pumped and privately owned boreholes.
\+ Population outside urban centres with more than 2,000 inhabitants.
** Source: Uganda's Plan III, p.97

TABLE 4

DISTRIBUTION OF BEDS IN

HOSPITALS AND OTHER HEALTH UNITS BY DISTRICT: 1971**

District	Beds in Government Hospitals*	Beds in other Health Units	Beds in Mission Hospitals and other Health Units	Beds per 1,000 Population+	
				All Hospitals and Health Units	Government Hospitals and Health Units
Kampala ...	2,125	5	585	8.18	6.42
West Buganda	219	106	255	1.13	0.63
East Buganda	384	208	291	1.05	0.71
Mubende ...	266	41	-	0.91	0.91
Masaka ...	300	261	242	1.25	0.87
Busoga ...	599	461	282	1.42	1.12
Bukedi ...	414	202	355	1.87	1.19
Bugisu ...	417	157	80	1.55	1.36
Sebei ...	42	-	52	1.46	0.65
Teso ...	267	388	237	1.57	1.15
Karamoja (N and S)	234	103	110	1.58	1.19
Lango ...	317	177	118	1.21	0.98
Acholi (E and W)	395	136	503	2.22	1.14
West Nile ...	360	230	311	1.56	1.02
Madi ...	161	64	-	2.50	2.50
Bunyoro ...	381	123	17	1.50	1.45
Ankole ...	442	389	83	1.07	0.97
Kigezi ...	279	316	307	1.40	0.93
Toro ...	259	145	216	1.09	0.73
TOTAL	7,861	3,512	4,044	1.59	1.18

* As at date of completion of Second Phase of Rural Hospital Programme.
\+ Based on Provisional Census results 1969.
** Source: Uganda's Plan III, p.98

TABLE 5

EDUCATION AND LABOR FORCE PARTICIPATION AMONG WOMEN IN UGANDA*

	1960	1970	1974-77
Primary School Enrollment Rates			
Male	65%	72%	61%
Female	32%	49%	42%
Total	49%	61%	61%
Secondary School Enrollment Rates			
Male	4%	9%	10%
Female	1%	3%	4%
Total	3%	6%	6%
Labor Force Participation Rates			
Male	58%	57%	56%
Female	31%	29%	28%
Total	45%	44%	42%

*Source: Patrice Fleuret, Community - Level Conditions and Development Assistance Needs in Uganda, PPC/PDPR/HR, USAID (1980) p.36

Uganda has had a tradition of very active women's groups. These groups were developing strongly in the 1970s and are now regrouping and clamoring for government attention. While the groups already have adequate managerial capacity, they need basic commodities like poultry feed, fertilizer, transport, etc. to get going again. The commodities are needed in all sectors throughout the country.

There does not seem to be any basic social or economic process working to exclude participation of women in the development of Uganda and women's participation in development is generally conceded to increase their status as producers and decisionmakers.

C. CONSTRAINTS TO GROWTH WITH EQUITY

This section is divided into (1) short-tern constraints that pertain specifically to the recovery period, (2) sectoral constraints that affect the recovery as well as long-term growth and (3) constraints that will not affect the recovery but are critical to long-term equitable growth. Although the short-term constraints are in most urgent need of attention, the longer-term constraints are basic to Uganda's long-term development process and must be addressed by the GOU and donors as soon as it is opportune to do so.

1. Short-Term Constraints to Economic Recovery

The four constraints discussed below stem directly from the period of misrule under Amin and the disruptions of the war. The economy will not be able to recover fully until these constraints have been successfully addressed.

(a) The Lack of Security. Although the security situation is by no means as bad as has been indicated in the international press, it nonetheless acts as a grave constraint upon the development of Uganda. The collapse of the Amin regime created serious difficulties for the law enforcement agencies. At the time of liberation, when many convicts were freed from prison and some of Amin's troops were still reportedly at large in the countryside, the Uganda police force was reduced from a normal contingent of 13,000 to a mere 2000.

Armed robbery is common, particularly in Kampala and parts of the north, and the police and security forces remain largely ineffectual in controlling it. Nearly one year after liberation the government still considers it necessary to maintain a ten p.m. curfew in Kampala--with few people venturing outside after dusk. Until this situation is resolved it will be difficult to provide essential services, stabilize economic conditions and create a climate that is conducive to increased investment and growth.

For the present Tanzanian troops are helping to maintain security and are assisting in the training of a new Ugandan army and police force. Plans are underway for part of the Tanzanian forces to leave Uganda and there is evidence of increasing numbers of Ugandans maintaining law and order. It is now up to the Interim Government to sustain this effort until the security situation has stabilized.

Related to the short-term problem of security is the longer-term issue of human rights. Here, there are definite signs of progress. Under Amin there was much arbitrary rule, discrimination and violation of the most basic human rights. The existing government, on the other hand, represents most of the major political and ethnic groups in the country and there is a clear effort to avoid discriminatory actions or human rights violations.

(b) <u>Distortions in the Economic System</u>. The removal of distortions in the Ugandan economy is as critical to recovery as improvements in security. These distortions stem from eight years of inflationary policies and economic mismanagement under Amin compounded by the disruption of the war of liberation. The major distortions is a greatly overvalued currency, combined with wages and prices that are totally out of line with real supply-demand conditions. These conditions have resulted in a dominating parallel market that is aimed more at survival and windfall financial gains than at overall economic growth and progress. The consequences include large drops in (1) production of export crops and foreign exchange earnings; (2) manufacturing output; (3) government revenues; (4) essential economic and social services; and (5) investment in all sectors of the economy. The end result has been a continuing negative GDP growth rate and steadily declining quality of life for most Ugandans.

Although many policy, institutional and attitudinal changes will be needed to turn the situation around, the most urgently needed are: (1) devaluation of the Uganda Shilling; (2) wage and government-set price increases, including producer prices for export crops; and (3) an emergency commodity import program that will rehabilitate the economy and stimulate production. These three steps will help to eliminate the parallel market and provide incentives for Ugandans to participate fully once again in the legitimate public and private sectors of the economy.

Although there has not yet been much change with respect to the economic distortions--except for reductions in the very high prices of essential consumer goods that prevailed immediately following the war--there are indications that there will be substantial improvements during the course of the next year. The GOU has already increased producer prices for export crops and has promised a substantial devaluation this summer. There have been no policy statements on wages but it is assumed by most observers that there will be some increases accompanying the devaluation. A study of parastatals is currently underway and may produce recommendations for increased wages and controlled prices in that sector. The GOU has stated that a system of administered prices of essential commodities will be continued which, if properly managed, can reduce some fluctuations that cause hardships among the poor.

With respect to commodity imports, the GOU and donors have agreed that substantial concessional financing is required at least into 1981 (starts July 1980). A major question is whether the financing will be adequate to meet the critical shortages. Presently, it appears that not all of the critical shortages will be met in 1980 and consequently donor-financed commodity import programs will need to be continued into FY 1981.

(c) The Destruction of the Physical Infrastructure. As a landlocked nation, road and rail transportation of Uganda's cash crop exports to international markets and imports for distribution throughout the country is a critical matter of national survival. In addition, Uganda relies heavily upon road transportation to bring food and other consumer items to the rural areas as well as to move export products to central markets and rural depots. This vital transportation infrastructure has been badly undermined by the combined effects of Amin's misrule and the subsequent war. The looting that followed the war depleted the country's fleet of lorries to 1600, a fifth of the number that plied the roads in 1970. In addition, the general deterioration of the rail system and its equipment and the collapse of the East African Community has greatly harmed the ability of Uganda Railways to move freight to and from the port of Mombasa. The railway lacks sufficient locomotives and wagons to carry Uganda's export crops to market and bottlenecks have arisen from the need to change a number of locomotives at the Kenya border.

Several steps are being taken to address the transportation bottleneck. Arrangements have recently been made with Kenya Railways to facilitate the movement of goods by rail from Mombasa to Kampala and assistance is being received from the Federal Republic of Germany to improve Uganda Railway's rolling stock. As far as domestic transport is concerned, the critical constraints are trucks, spare parts and fuel. These needs are a major focus of commodity import programs being financed by the World Bank, EEC, IMF and AID. Initially most of the trucks imported into Uganda were to meet GOU needs. Increasingly, however, trucks are being imported for sale in the private sector. Improvement is occurring at a rapid pace, but it will be some time before the country's truck fleet has returned to its 1970 level. For the next year or two it can be expected that lack of transport will be a constraint to increased economic activity, especially the production and marketing of export crops.

(d) Political and Institutional Infrastructure. "By 1978," observed the Commonwealth Secretariat team of experts (Vol. 1, p. 3), "Uganda had become a classic example of the economic retribution that falls on a country when its government attempts self reliance but lacks a rational system of decision-making and has destroyed the administrative capacity to implement them." What is true for the administrative capacity to regulate the economy applies equally to the political and administrative agencies generally. Although the government ministries appear generally able to articulate objectives, there appears to be little predilection to do the hard tasks of ranking priorities as between these objectives.

Much of the problem of distributing goods to the rural areas is the government's admitted incapacity to control the allocation and distribution process equitably, efficiently and honestly. While Uganda still boasts some highly competent and dedicated civil servants who are determined to restore the country to the relatively high plateau the country knew prior to the Amin coup, years of administrative malpractices and neglect have resulted in an administrative system which is seriously inefficient and corrupt. It is essential that personnel become more productive, clear lines of authority and responsibility be reestablished, individuals engaging in irregular practices be routed out, procedures be set to assure full accountability throughout the system, and salaries be made commensurate with living costs. At a more basic level, it is also critically important that the newly installed government secure the legitimacy that results from a free and fair election, now scheduled for June 1981.

Solving the institutional problem will not be easy because basic changes in attitude and motivation are involved. In its policy pronouncements the GOU has recognized the need to correct administrative weaknesses in the civil service and new standards of performance and conduct have been issued. To date, however, no discernible progress has occurred in the reform of government administration.

2. Sectoral Constraints to Recovery and Long-Term Development

At the sectoral level there are a number of constraints stemming from the Amin period and the war that must be addressed as part of the recovery program. There are also some more basic constraints that pertain to equitable growth over the long term. The key sectors are agriculture, industry and social services related to productivity. Manpower development as a constraint to development is discussed in the context of each sector, as appropriate.

(a) Agriculture. Given the overwhelming importance of agriculture in Uganda, its revitalization is critical to the overall recovery of the country's economy. During the Amin period, farmers returned increasingly to subsistence agriculture, causing a sharp drop in cash crop output and a corresponding decline in export earnings. (See Table 1 in Part II.A for a comparison of peak year production with the latest year.) To revive the economy and set the stage for further growth, it is necessary to restore cash crop agriculture without diminishing the attention given to food crops. The key constraints to increased agricultural production in the short run include inadequate price incentives, insufficient transport, ineffective cooperative union marketing and the scarcity of farm inputs.

Over the longer term a key constraint is productivity in the foodgrain sector. Yields are well below potential using known improved technologies; farming practices are labor-intensive and use almost no inputs. The need is for farming systems research focused on the small producer and the extension of the resulting technology to the small farmer. Increasing food productivity would not only increase availability and improve nutrition but also free land and labor for increased cash crop production. Associated with macro-level farming systems research and extension should be an increased capacity at the ministerial level to include rural incomes and other small farmer concerns in the agricultural planning process. A sub-sector of agriculture that will require increasing attention in the years ahead is small herder livestock production, especially in the low rainfall northern regions where livestock is a major source of cash incomes.

The short-term constraints are being addressed as part of the recovery program. Producer prices have been increased and the devaluation will make further increases possible, if necessary. Also, donor-financed trucks and equipment for the cooperatives will alleviate the marketing bottlenecks. Thus far no definite steps have been taken to address the long-term constraints listed above. In the early

1970s there did exist a well developed agricultural research and extension system and an indigenous capacity to train middle-level agricultural staff. Discussions are being conducted with donors to rehabilitate these institutions, increase the emphasis on foodgrains and make the research more relevant to small farmer production systems in Uganda. Since these efforts will involve not only the regaining of momentum lost during the Amin regime but also a change in direction of the research program, progress is likely to be slow and difficult. This argues for the initiation of new interventions in this area at an early date.

(b) Industry. The manufacturing sector is small by comparison with agriculture, consisting mainly of industries engaged in agricultural processing. Nonetheless, it has an important role to play in the rehabilitation and long-term development of the Ugandan economy. As was the case with cash crop output discussed immediately above, manufacturing activities declined precipitously during the Amin period (see Table 1 in Section II.A.) and the resulting shortages of goods caused serious disruptions throughout the economy, especially in the production and marketing of export crops. The main reasons for these declines were the general deterioration in machinery and tools and the shortage of raw materials and intermediate goods for processing. To rehabilitate the large-scale industrial sector three steps are required: (1) There must be monetary reform to reestablish the incentives to produce; (2) productive capacity and infrastructure must be rehabilitated and (3) there must be increased motivation at the managerial and technical levels and increased confidence among investors. The monetary reform is due to take place this year and rehabilitation is already underway with substantial support from donors. In view of eight years of arbitrary rule and mismanagement under Amin and the present unstable conditions, however, solving the problem of lack of motivation and investor confidence will not be easy. The government appears to recognize the seriousness and urgency of the problem and has a study underway to determine how to bring the industrial sector back to earlier levels of efficiency.

In the long run the role of manufacturing in Uganda's growth process will consist of agricultural processing, production of consumer goods and light industries for agricultural inputs and other intermediate goods. The potential for large-scale manufacturing is limited by the size of the Ugandan markets and competitiveness outside of Uganda. Prospects would be greatly enhanced should a truly integrated East African Common Market become a possibility.

From an equity standpoint, as well as for sustained economic growth, small-scale industry should become a priority concern in Uganda. The country's large agricultural potential and the emphasis on smallholder production means that as agriculture develops there will be a strong demand in rural areas for a wide range of consumer goods and agricultural inputs, as well as growing opportunities for agricultural processing. Unless special efforts are made to locate these industries in rural areas and keep them small-scale, the growing demand will be met from large-scale production in cities or from imports.

(c) Social Services. The provision of basic social services is essential to realizing the full production potential of a country's labor force--as well as being socially desirable ends in their own right. Health, education, housing, and water services deteriorated sharply in Uganda during the 1970s, accompanied by aggregate declines in productivity.

Foreign exchange constraints led to reductions in health service supplies and equipment as well as to the physical structures housing them. Severe shortages in spare parts made maintenance difficult or impossible, and budgetary cutbacks sharply reduced importation of medical supplies and drugs, and prompted staff attrition. Staffing problems increased further with the expulsion of Asian physicians in 1973, followed by the departure of doctors and technicians in the years following. Immunization programs ground to a halt and after 1976 the government was no longer able to purchase drugs from its former supplier, the British Crown Agents. The consequences of the war compounded maladministration, and these are reflected in part in currently available statistics on health resources. The population per physician rose from 9800 in 1971 to 23,000 in the most recent estimate, while that for practicing nurses went from 3770 to 5500. At the present time, the health system is in shambles with virtually no chance of restoring it to its former condition due to severe budgetary constraints that are expected to continue, combined with a 40 percent increase in population since 1970. A complete reorientation of the health system to reflect these realities is required.

Similarly, the quality of water supplies has deteriorated noticeably, sewerage plants have been described as non-operational and the neglect of housing needs, a problem brought about by population increases and destruction during the war, have emerged.

In education, the conditions have been reported to be equally serious. Again, lack of budgetary support and the expulsion of the Asians produced a situation of insufficient supplies, poor maintenance, and inadequate numbers of trained staff. Educational facilities reportedly lacked texts, exercise books, and chalk; and teachers were forced by economic circumstances to divide their time between their students and supplementary outside work and/or magendo in order to support themselves. The result has been declining standards and quality of preparation, particularly in sciences and technology, on the highly important "A level" examination.

In the short run, the major task is one of rehabilitation. This, however, will not solve the longer-term problem of maintaining the types of social services that existed in 1970. It is clear that attempting to do so would cause an excessive drain on the country's limited budgetary resources. The solution is two-fold. One is to restructure the provision of social services, particularly the health system, to make them lower cost. Second increased attention must be given to the mobilization of local resources (through taxes or other fees) so that the beneficiaries contribute a larger share of the costs of the services they are receiving.

The GOU clearly places a high priority on basic social services. It is committed to expanding primary education to all sections of the population and to making education more relevant to their needs. The Commonwealth Secretariat Report on the rehabilitation of the Ugandan economy was criticized by the GOU for not paying enough attention to social services, especially in rural areas. It should be noted, however, that the government has not yet addressed the problem of recurrent costs related to social services. Unless it does so during the transition period, resources will be seriously misallocated and the long-term economic and social improvement of the country will be seriously set back.

3. Long-Term Constraints to Growth With Equity.

In addition to the sectoral constraints discussed above, the major constraints that will hinder the long-term development of Uganda are population growth, environmental degradation, constraints to participation and equity, and weak regional economic linkages. Once the recovery process has been completed and the political and economic situation has stabilized, these constraints will require the priority attention of the GOU and donors.

(a) Population. As of mid-1979, the population of Uganda was estimated at 13.2 million, consisting of 9.2 percent urban and 90.8 percent rural dwellers. The age structure underlines the essentially youthful nature of the population: 45 percent of the population were under 15 years of age; 52 percent were between 15 and 64 years; and 3 percent were 65 years and above. The rate of population growth is relatively high, being currently (and conservatively) estimated at 3.0 percent per annum. Given the fact that almost half the population is under 15 years of age, it is reasonable to look ahead to a reproduction rate not varying significantly from that now in evidence or a population that would double in 23 years.

Not only do such high population increases strain health, education, water, sewerage, and transportation and communication services, but they place increasing pressures upon the production and distribution of basic foodstuffs. Population density per square kilometer of agricultural land, which has increased from 72.0 in 1960 to 116.0 in the mid-1970s, is likely to approach a level in the year 2000 where the country's self-sufficiency in production of foodstuffs is called into question by that date, as the total population will have reached 24 million, and each arable hectare will have to feed 4.5 persons instead of the 2 persons of 1975.

Although no official policy on population and family planning has yet been articulated, the government of Uganda is sensitive to the problems that population growth poses for development. Schemes to resettle people from overcrowded areas have been a feature of development policy since before Independence, but such efforts are expensive and very difficult to mount on an adequate scale. Attention has also been given to fertility control. The Family Planning Association of Uganda is funded in part by government, and private voluntary organizations are encouraged to provide advice and some services to volunteering couples. The numbers reached, however, are very small (16,000 family planning acceptors in the mid-1970s), and there has been no measurable demographic impact. In Uganda as in many other African countries the official preferred approach is to integrate family planning services with health education and maternal child health programs. It is likely that for the foreseeable future most of the donor assistance in family planning will be provided in this context.

(b) Environment and Energy. As noted above, population growth in Uganda is beginning to put pressure on arable land. Another major consequence of population growth is the depletion of the country's forest resources because of the increasing use of firewood. A third environmental problem in Uganda relates to overgrazing of rangeland due to uncontrolled increases in livestock, particularly in the north. These are problems that have not yet been addressed by development planners. Traditionally the consequences of environmental degradation are not recognized by governments until many of the effects are irreversible. It is incumbent upon these donor organizations which have developed an expertise in this area to encourage the GOU to take account of environmental concerns in setting development priorities and formulating development programs.

Given Uganda's level of development, its energy needs, other than firewood, are relatively low. In fact, the hydroelectric output substantially exceeds its needs and the surplus is exported to Kenya. It is not too early, however, to begin planning energy consumption to minimize dependence on petroleum and to explore alternative sources of energy. In addition to hydroelectricity Uganda would appear to have the potential for greater use of wind power. Thus far, however, neither the government nor donors have started any programs in this area.

(c) Participation and Equity. Ugandans have been fortunate in that the development process has been conducive to participation by large segments of the population. The two main cash crops that have provided the bases for much of Uganda's economic growth since independence, coffee and cotton, are grown mostly by smallholders. Perhaps the key institution that has and can continue to facilitate the participation of small farmers in the country's development is the cooperatives. During the late 1960s and early 1970s they were very effective primarily in marketing export crops. Fifty percent of Ugandan farmers were members of cooperatives. They became ineffectual during the Amin period and are now in urgent need of rehabilitation. This problem is receiving the high priority attention of the GOU and donors. The main concern is to assure that local cooperatives do not become extensions of cooperative unions charged with implementing central directives, rather than institutions where farmers' interests are effectively articulated and are the main determinants of policy.

In the long run, increased participation would be greatly facilitated by educational reform, especially in rural areas. The need is to move away from the present academic orientation towards a system that is more relevant to the needs of rural peoples. The GOU has already decided to pursue such a course. This is currently being done through a pilot program called Basic Education for Integrated Rural Development (BEIRD). As discussed further in the Strategy section, the government plans to expand this program and has requested assistance from AID.

Finally, the decentralized system of government in Uganda provides a special opportunity to relate development programs more closely to the needs of the intended beneficiaries. The District Commissioners are key government officials outside of Kampala and their career advancement which occurs at the District level makes them more attuned to local conditions and needs than officials in the central government. In designing development projects that are to be implemented in rural areas, donors should make special efforts to coordinate with and obtain the support of local government organizations rather than deal exclusively with central ministries.

(d) Regional Economic Linkages. Coordinated regional development offers East Africa as a whole a means for significantly increasing its economic growth and development.

However, nationalism, conflicting economic interests, and differing economic ideologies, made more acute by the military adventurism of the Amin government, caused the disruption of the East African Community and many of the informal ties that bound East Africa together. Bottlenecks occurred on the railroad lifeline linking Uganda to the port of Mombasa; tourism was disrupted; the integrated airline system collapsed. Even so, some of the basic interdependencies have survived Amin's misrule and the inter-unit conflicts of interest, ideologies and personalities.

Quite symbolic of the linked fates of Kenya and Uganda is the present sharing arrangement of electric power generated at the Owen Falls hydro station. Because Uganda currently generates more electric power than it needs, it supplies Kenya with 37 percent of the power from this industry. Equally symbolic, however, is the potential for inter-unit conflict over the inequitable pricing arrangements still in force. Under an arrangement which will remain in effect until the year 2008, Kenya receives 37 percent of the power generated at Owen Falls but contributes only 10 percent of total revenues. Situations such as these pose a test for future inter-unit linkages and the ability of leaders to negotiate new arrangements more equitable in nature.

Although it is clearly in Uganda's interests to improve economic relationships with its East African neighbors, the major benefits from most linkages are significant only over the very long term. This is true of coordinated investment policies, large enterprises serving regional markets, regional institutions and standardized regulatory practices. The most critical regional constraint at this time is transport, primarily railways. If imports and exports are to return to the levels of 1970/1971, it is essential that improved arrangements be made for moving these goods in and out of Uganda.

The government has already made arrangements for expanded and improved rail and truck service, and negotiations are continuing concerning the much larger quantities that will have to be transported in 1980 and 1981. For the longer term, it can be expected that Uganda will not only continue traditional commercial ties with Kenya (in 1978 over one-third of Uganda's exports came from Kenya), but will also seek new trade and other ties with Tanzania. The priority that will be given to these policies cannot be determined until the political situation becomes clearer.

D. GOU DEVELOPMENT PROGRAM AND THE ROLE OF OTHER DONORS

1. GOU Program

As noted elsewhere in this report, Uganda has an interim government which is not in a position to put forward a medium-term development program. The main concern of the government over the next two years will be economic rehabilitation. The main priorities of the rehabilitation program are (a) the recovery of the export crop sector, (b) the rehabilitation of infrastructure and industry and (c) improved social services.

Programs to achieve these objectives are already underway. The GOU has increased producer prices and is taking steps to import the commodities needed for the increased production and marketing of cash crops and for the rehabilitation of the infrastructure and industry sectors. At the same time donor-assisted projects are getting underway to address constraints other than lack of commodities. Technical assistance will be provided for the rehabilitation of export crops, transport and manufacturing. In the social service sectors, health and education, the main effort is to reequip and restaff hospitals, health clinics and schools.

Part of the rehabilitation program also focuses on institutional improvements. Specifically, high priority is being given to returning the cooperatives and tax administration to their level of effectiveness in the early 1970s. Also, it is recognized that staff competence and motivation is lacking throughout the civil service and the parastatal sector. This problem is the subject of a study currently underway.

Looking beyond the recovery period, the government policies and priorities are less clear. A major concern is increased productivity in agriculture. This involves making small farmers more productive, increasing the scope for medium-size farms able to use modern inputs and, where appropriate, the promotion of plantations. The government has also identified agricultural diversification, including the production of food as a cash crop, as an important objective in agriculture. Few long-term programs in these areas, however, will get underway before the rehabilitation effort has been completed.

Within the social services, the present government has shown a strong interest in education. The objective is not only to expand education to all segments of the population, but also to make it more relevant to their needs by concentrating on practical subjects. In health the GOU policy is to return to the type and level of services that existed in the early 1970s.

The GOU objectives outlined above have not yet led to specific programs and when they do it is likely that the programs will be kept flexible. Present plans are for a medium-term development plan to be prepared in 1982/1983 and until that time policy and program formulation will remain ad hoc.

2. The Role of Other Donors

The major role of donors in Uganda at this time is to provide assistance to the rehabilitation program. The largest activity is the multi-donor commodity import program which will have a direct impact on infrastructure, manufacturing, agriculture and key economic and social institutions especially cooperatives and health clinics. The major sectoral programs are in agriculture. The EEC will finance large projects to increase the production of coffee and tea and the U.K. will provide assistance to the cotton sector. Other important donor activities in agriculture will be assistance to the livestock sector by the Federal Republic of Germany and the EEC, the establishment of a national seed production company by the EEC, and an integrated food production project to be financed by IFAD.

Outside of agriculture, the largest donor-funded programs are in transport. The FRG is providing substantial assistance to Uganda Railways and the EEC and the U.K. are financing road repair and rehabilitation projects. The World Bank is also providing assistance to the transport sector, as well as for the rehabilitation of urban water and sewerage systems and for manufacturing.

Thus far donor programs have not begun to focus on the long term although certain activities that are now primarily rehabilitation will naturally phase into longer-term programs. As is clear from the previous section on constraints, however, some of the basic development problems facing Uganda, particularly in health and agriculture, will require important policy decisions in the near future. Donor assistance related to planning would be particularly useful in addressing these difficult policy issues.

III. STRATEGY

The interim country development strategy concentrates upon the short-term objectives of rehabilitating an economy wrecked by years of military misrule and the side effects of a liberation war rather than upon the longer-term development objectives which are the concern of most CDSS's. If the country's productive capacity can be substantially restored during the next two years, the chances of a successful transition to a democratically elected government will be considerably enhanced, and the possibility of long-term planning to improve the lot of the poor majority will become correspondingly more realistic. In addressing the short-term requirements, however, the strategy will seek at the same time to lay the foundations for broader, longer-term programs for social and economic improvement. In sketching the goals of such longer-term development, the strategy assumes that the country can substantially revive the capacity for development which existed prior to 1971 without taking the particular patterns of growth and equity achieved by that date as the precise goal to be pursued. To this end, the AID strategy has been divided into two phases. The first phase concentrates immediately on the short-term problem of economy recovery; the second phase beginning in FY 1981 starts to deal with the more basic and longer-term problems of equitable growth and development.

A. PHASE I - ECONOMIC RECOVERY

AID assistance to economic recovery in Uganda during the short term will be concentrated on the problem of agriculture production. The principal objective is to increase the productive capacity of the agriculture sector, which is dominated by small-scale farmers, and which is the foundation of Uganda's economy. Ninety per cent of Ugandans are engaged in farming or husbandry and over seventy-five percent of the GNP is related to agriculture. It is therefore a logical and necessary starting point for restoring Uganda's economy and for impacting upon the welfare of the majority of its citizens.

The retreat of the country's agriculture sector from cash crop to subsistence farming over the past nine years was in response to the general mismanagement of the economy which resulted in pricing and marketing policies discouraging production and to the deterioration of agriculture services. Farmers were no longer able to rely upon a fair return for their efforts. Nor were they able to obtain such basic inputs as simple tools and machinery, fertilizer, seed, and pesticides, and the benefits of research and extension programs. It is not, therefore, surprising that most withdrew from the cash economy and concentrated upon producing enough basic foodstuffs for their families' needs and for bartering for goods they could not produce.

The support infrastructure for Ugandan agriculture had been well along in its development prior to Amin. This consisted of research facilities, extension services for both farming and husbandry, an agriculture college system, and a cooperative society movement. This infrastructure has remained in place but is largely dysfunctional after years of neglect and lack of access to resources. AID proposes in FY 1980 to initiate an assistance effort which will help to revitalize much of this infrastructure.

An Agriculture Sector Project (ASP), consisting of a combination of loan and grant funds ($10 million in loan and $10 millio in grant funding), will finance the foreign exchange costs for the import of essential commodities needed at the farm gate to raise production levels on food crops and livestock and needed by those infrastructure entities, which impact most directly on assisting the small farmer, to become operative at an effective level. The grant funding component of ASP will finance the costs of providing technical assistance in support of these same elements of the infrastructure. Local currency generations from the sale of imported items will be applied in ways also supportive of raising small farmer production.

An obvious component of this project are the cooperatives. Approximately 1.1 million Ugandans belong to cooperatives, including one million small farmers. The Central Cooperative Union is the principal distribution channel for agricultural inputs down to the village level. It is currently all but defunct since it has not had recent access to foreign exchange to finance the importation of farm inputs. The ASP can alleviate this constraint by providing the foreign exchange for purchase of inputs. It can also address with technical assistance the problems of management and administration. Most cooperatives have deteriorated due to a loss of staff morale and skills, looting of office equipment during the fighting last year, poor records, and a cessation of auditing. Cooperatives have also in the past been the sources of credit for farmers. Annual loans, even through the 1970s when most banks became insolvent, amounted to an average of UShs 200 million. In 1970-72, a small holder credit scheme administered through cooperatives loaned UShs 1.6 million with a default rate of less than 1% a year. Part or all of local currency generation of the ASP could be used to capitalize a renewed smallholder credit scheme.

Other likely components of the ASP would include small farmer oriented components of the research and extension services both in horticulture and husbandry. Both of these services are largely dormant. There are twelve research stations or substations which conducted research on the eight food crops which make up 96% of the Ugandan caloric diet and on livestock. The extension service has 2,300 agents, 750 of whom have university degrees, posted at the district level. Much of the needs of these organizations to make them effective consist of equipment and transport and technical assistance. While ASP cannot accomplish the entire task, it can make discreet interventions with assistance to bring elements back on stream, particularly those which can most immediately service the needs of the small farmer. If it is determined a serious constraint during the design phase of this project, local currency could be programmed from the proceeds to finance recurrent costs needed to allow the assisted elements to function.

The FY 81 program will contain an additional ASP component of $10 million to continue the process begun in FY 80. It is proposed that this second tranche be grant funded. The use of loan funds in FY 80 responds to AID's resource availabilities when the effort was made to identify funds for Uganda out of the normal budget cycle. It is not the most appropriate funding mechanism for a country in such desparate financial straits.

The Agriculture Sector Project is seen as an interim measure to provide quick inputs to stimulate production. It is also a starting point from which it is envisioned future individual projects will evolve. While not directly tied to other donor efforts by the IBRD, IMF, and the EEC and its member countries being directed to Uganda's macro-economic need for foreign exchange to finance imports, the ASP can also be termed a complementary project since it will help finance some of the imports needed to achieve economic recovery.

The FY 80 and FY 81 programs will also contain significant levels of PL 480 Titles I and II. The range for Title I will be \$6 million in FY 80 and \$10 million in FY 81. This input responds to the absence of adequate food supplies in urban areas as a result of the fall-off in production and the scarcity of foreign exchange to import. It is planned that the local currency generation from the Title I program will be applied in support of the above described development activities. Title II will amount to \$15 million in FY 80 and a like amount in FY 81 is anticipated. This will be used in the Karamoja and northern Uganda areas where starvation conditions currently exist as a result of a combination of drought, the liberation war, and on-going banditry which have denied the people the opportunity to raise crops.

B. PHASE II - ADDRESSING STRUCTURAL CONSTRAINTS TO EQUITABLE GROWTH

Phase II of our Strategy, which will begin in FY 1981, assumes that a successful economic recovery is well underway. In accordance with AID's present Mandate it focuses on the longer-term constraints to increased production and income for the poor majority. As noted in the introduction, there is presently too much uncertainty concerning future GOU policy directions to justify AID trying to spell out a medium- to long-term strategy for Uganda in any great detail at this time. Although the long-term constraints to equitable growth in Uganda as in most LDCs are numerous, it is neither appropriate nor desirable for AID to address more than a few of the more critical constraints at this time. Indeed, we have sought to address only those critical long-term constraints that (1) are not being addressed by other donors, (2) are important to the promotion of growth with equity, (3) meet directly the needs of the poor majority, (4) deal with problems in which the U.S. has a special expertise or comparative advantage, and (5) will develop information flows and establish close working relationships with those Ugandan institutions that are central to the development of rural Uganda.

Based on our analysis of the Uganda economy, including discussions with the GOU and other donors, we have identified two areas where AID can begin making an important contribution in FY 1981. These are smallholder agricultural production and basic education. The objectives in agriculture are to: (1) Achieve increased small farmer productivity by helping to introduce improved higher yielding technologies for small farmers with a special emphasis on food crops; and (2) assure that increased productivity results in increased cash incomes by enhancing the effectiveness of the agricultural marketing systems.

In education the objective is to introduce a self-sustaining process of change affecting increased productivity and other basic human needs by making education more relevant to the needs of the local populations, especially in rural areas. The pursuit of these objectives is an essential part of any growth with equity strategy, and the mission feels that even in the absence of clearly spelled out GOU programs in these areas it will be possible to initiate meaningful interventions by the 1981 fiscal year.

Initially, the mission's strategy for addressing problems in agriculture is to support agricultural research and extension, as well as the capacity of the cooperative societies which cater to the rural smallholders. The focus of agricultural research and extension will be upon increasing overall productivity of small farmer systems, with particular emphasis on the yields and nutritional quality of foodgrains. More intensive production of foodgrains will not only improve nutrition but will also leave smallholders with additional acreage for production of export crops, with resultant greater cash income. It is widely agreed that much of the agricultural research that has been conducted in Uganda has not been adapted to the farming systems of the country's small farmers. This combined with the lack of emphasis on food crops accounts for the relatively low impact of the extension program on productivity in agriculture.

AID-supported research will concentrate upon systems of smallholder production, including the achievement of more advantageous balances among alternative cash crops and food-crops and possibilities for increased smallholder livestock production in mixed farming systems. In addition, smallholder farming systems research and extension work will include development of ways and means to minimize crop losses, utilize crop residues more effectively, incorporate appropriate technology, employ available labor efficiently, and make the most effective use of local resources to promote alternative sources of fuel and physical improvements in the rural environment. The indispensable means for making such agricultural research and extension work optimally valuable to smallholders is to test new ideas with respect to the particular soil and climatic conditions of Uganda. By focusing research efforts on the actual problems of the smallholder, and testing results directly in the farmers' fields, the possibilities for diffusing useful findings through a rehabilitated extension system will be enhanced greatly.

The upgrading of cooperatives is critical to the revitalization of smallholder agriculture. Prior to the Amin period cooperatives in Uganda were the major means through which small farmers marketed their cash crops. Cooperatives also played important roles in the distribution of inputs and the provision of agricultural credit. In the short run, increasing the effectiveness of cooperatives or marketing organizations is perhaps the single most important step that can be taken to increase the incomes of small farmers and bring them back into the mainstream of Uganda's economy. The specific activities that need to be undertaken include in-service management training for cooperative society and cooperative union personnel, work on the financial structure and accounting practices of these organizations, and attention to the marketing and credit-granting processes by which they serve smallholders.

In the education sector, the mission program will concentrate on making formal primary education more relevant and efficient and on integrating formal and nonformal education programs, particularly in rural areas. This will include an examination of the curricula as regards primary education, nonformal and adult education, and in-service training programs and short courses in the rural areas. In contrast to the pre-Amin emphasis on secondary and higher education, the present government appears to be emphasizing the redevelopment and expansion of programs such as these which serve more people at lower per capita costs. The GOU took issue in its White Paper on the Report of the Commonwealth Secretariat Team with the omission of any recommendations supporting such a shift of emphasis to the benefit of rural communities. The concept that has been specifically endorsed by the government and which the AID program will support is called Basic Education for Integrated Rural Development (BEIRD).

The major components of BEIRD include improving the efficiency and relevancy of both primary and out-of-school education and training. It stresses the continued upgrading of the primary school curriculum to reflect the opportunities and constraints of the local natural and social environments, scientific and problem-solving approaches to increased productivity, enhanced community participation in the work of the schools, and increased financial self-sufficiency of the schools through appropriate curricula-supporting work-study programs. While primary education is the immediate focus of the BEIRD concept, it also encompasses nonformal education programs in the community. It can easily and usefully be applied to secondary and technical education as well.

A third sector which is of high priority for USAID is population. If the rehabilitation of the Ugandan economy and its further development are to yield real and sustained benefits for the poor majority, it is essential that Uganda take action now to reduce its 3 percent population growth rate. Although at present there are no definite opportunities for AID involvement, we plan to explore all possibilities with the GOU. AID has had previous involvement in family planning in Uganda and the government recognizes population growth as a constraint to longer-term development. One definite possibility in the near term is to incorporate the diffusion of family planning practices as part of the BEIRD program. Another longer-term possibility, which is characteristic of AID-funded population programs in Africa, is to promote family planning (child spacing) in a maternal-child health context.

Health was explicitly rejected as an area for AID involvement at the present time. While the needs in health are great, the health policies the GOU are presently pursuing do not make effective use of either their own or donor resources. The GOU is trying to rehabilitate a health system that it does not and will not have the recurrent budgetary resources to operate. USAID believes the GOU must assess its health goals in light of its larger population and constrained budget, and then decide on an appropriate restructuring of the health system. Until this is done, USAID believes that any assistance to the health sector entails a serious risk of being wasted. USAID has indicated to the GOU that it would be willing to help the government undertake such an assessment and assist in the development of policy options.

The Phase II Strategy described above is necessarily tentative and incomplete but it is indicative of the direction this program is likely to take over the next five years. AID's main concern will be increased incomes and wellbeing for the rural population but addressing that concern could involve activities that are broader than rural development _per se_. The GOU, for instance, needs assistance to strengthen its planning capacity in most sectors that are important for equitable growth. Many basic social and economic changes have occurred since 1970 that must be carefully analyzed before long-term policies are formulated.

Other areas that will require assistance once GOU programs have been established include: Low-cost health systems, small herder livestock production in the northern regions, natural resource conservation, alternative energy sources, special problems of women and off-farm employment. There is little doubt that improving the quality of life of the poor majority will require action in these areas but it is clearly not possible for the AID program to address all of them. Which areas will be appropriate for AID support will depend on the policies and programs adopted by the GOU, the activities of other donors and the mission's implementation capacity.

While it is too early to predict what form the AID Strategy will take, the mission believes that an important element is likely to be a multi-sector integrated rural development program which emphasizes local level implementation. Such an approach would ensure (1) that the various sector programs in rural areas are mutually reinforcing for the intended beneficiaries at the point of delivery and (2) that local institutions are cooperative rather than competitive in providing inputs and services to rural communities. The attractiveness of such an approach from the standpoint of the mission is that the Phase II projects already identified are essential first steps in getting a truly participatory and self-sustaining rural development process underway. A local level rural development program would be complementary to these initial projects and would enhance the eventual impact on the incomes and wellbeing of the rural poor.

C. ASSUMPTIONS OF THE STRATEGY

The interim country development strategy proceeds on the basis of five critical assumptions. The first is that problems of civil order will abate as the interim administration gains increasing control over the situation. In the short term there is some risk involved in mounting foreign assistance programs because of residual security problems. While the fragile nature of the interim Government of Uganda and the potential for serious unrest posted by the long-term ethnic, regional, and sectarian tensions place important constraints on donor activity in Uganda, most observers have concluded that there has been gradual improvement in security in recent months. An important premise of the mission strategy is that the kind of assistance proposed will contribute to patterns of economic rehabilitation that will support improvements in the security situation. Conversely, it is assumed that the short-term rehabilitation assistance provided will make more remote the possibility of major civil disturbances, disintegration of central government altogether, or resumption of the kind of military rule recently overthrown.

A second critical assumption of the interim strategy is also an imperative: That the Government of Uganda take at least limited measures to deal with its fiscal and monetary problems. Specifically, such action includes some revision in the price of foreign exchange, some adjustment of administered prices to improve the terms of trade to producers in the legitimate market and to reduce the attractiveness and necessity of large-scale black market activity. The GOU has in fact taken one significant step in increasing producer prices for coffee, tea, and cotton delivered for export. Moreover, it has stated that it will devalue the Ugandan Shilling by mid-1980. The GOU has also accepted the Commonwealth Secretariat recommendations concerning improved administrative and financial practices for the parastatals and cooperatives, though not suggesting that some of their functions be returned to the private sector.

The third assumption underlying the strategy is that the GOU will in fact mobilize its own resources to develop a rank ordering of its priorities for the short-term commodity import program, work in close collaboration with the donors to ensure that those goods actually imported are those most needed, and revamp its distribution system so that the goods get to the people for whom they are intended. The government has indicated its awareness of this problem, although performance to date has been poor.

The fourth assumption is that the strategy, by contributing to the recovery of the country's economy in the short run, will enhance both Mandate objectives and the likelihood of a successful transition to a civilian, democratically elected government. The country's potential for development, demonstrated in the years preceding the military regime, has inspired most commentators on Uganda's current problems to be optimistic regarding Uganda's future. However, past performance has also demonstrated that the link between economic progress and stable, democratic government is by no means an inevitable one. Promotion of economic progress for the poor majority should, but need not necessarily, lead to realization of the desired broader political objectives. The strategy assumes that the chances and desirability that this linkage will occur justify the risks and uncertainty entailed in pursuing this end.

A fifth and final assumption is that the recommended fiscal and monetary policies, when adopted, will in fact have the desired and predicted impact upon the smallholders. The International Monetary Fund found in its 1979 analysis of the Uganda economy that smallholders had been in fact very responsive to fluctuations in the terms of trade, particularly during 1977 when a strong world market price for coffee prompted a brief period of economic recovery for the duration of this price escalation. Such quick and pronounced responsiveness by smallholders to changing terms of trade is consistent with evidence throughout the less developed world that smallholders are indeed sensitive to market changes. Of all the assumptions underlying the interim country development strategy, this is the one for which the mission believes there is the strongest supporting evidence.

IV. PROGRAM IMPLEMENTATION

The Mission proposes to implement its program with a very small AID Mission. Current AID policy emphasizes the increasing need to do "more with less," and sound management dictates no less. Reinforcing this need to face up to AID worldwide personnel and budgetary constraints, however, are the broader political advantages which accrue from a reduced U.S. official presence in foreign countries. U.S. Chiefs of Mission throughout the world, and this embassy is no exception, believe that it is in our foreign policy interest to carry out assistance programs with substantially smaller AID staffs.

There are also considerations unique to Uganda which make it essential that AID attempt to manage its program with the minimum feasible direct-hire American staff. The poor security situation existing in Uganda underlines the generally difficult living conditions that will probably continue into the foreseeable future--i.e., dusk-to-dawn curfew, high risk of robbery, the nearly complete absence of public recreational facilities, no cinemas, virtually no imported goods available except through the black market at exorbitant prices, limited availability of food supplies, etc. This means that not only will it be difficult to recruit direct-hire AID staff, but that AID would be remiss if it placed any more direct-hire staff than was actually necessary into such a difficult environment.

MANAGEMENT APPROACH

The need for a large, direct-hire American staff has been significantly reduced by a management approach which emphasizes:

-- Concentrating AID efforts in a few carefully selected areas,

-- Limiting functions performed by USAID staff to program and project design, monitoring and evaluation,

-- Hiring highly qualified Ugandan local staff under personal services contracts for limited time periods to perform functions normally carried out by U.S. direct-hire staff,

-- Use of REDSO staff and selected experts from the U.S. on a regular TDY basis to supplement Mission skills and to assist USAID staff during peak workloads,

-- Involvement of Ugandan institutions to extent feasible to perform background studies and analyses for AID program.

-- Use of East African Accounting Center (AID/Nairobi) to perform Mission's controller functions,

-- Establishing a Joint Administrative Organization (JAO) with Embassy performing most support functions,

-- Making contractors responsible for their own support services, and

-- Use of Private Voluntary Organizations (PVO) with their more independent operations and less demanding support requirements where appropriate and feasible in support of AID programs.

These management points are further elaborated upon below.

AID Concentration. The proposed USAID strategy has concentrated AID efforts in limited areas to maximize program impact and minimize management demands on the AID Mission, i.e., the Mission has carefully avoided project proliferation. Thus, for FY 1980, the AID program has been limited essentially to one activity--an Agriculture Sector Project to help rehabilitate the agricultural sector, which includes a technical assistance component to assist the Government in planning, establishing resource allocation priorities and resolving key distribution problems. Direct responsibility for monitoring commodity distribution through the cooperative system will probably be carried out by CARE in cooperation with a U.S. cooperative organization (ACDI or CLUSA). This single AID project will be supplemented by a PL-480 program to help meet immediate food shortages. The FY 1980 program, while directly addressing priority rehabilitation needs of Uganda, places minimum management demands on the USAID Mission.

Similarly for the FYs 1981 and 1982 programs, by phasing down the commodity import assistance and gradually increasing project assistance in two focused and interrelated areas in agriculture and education, project proliferation is avoided and USAID management tasks are simplified. The areas of expertise which must be mastered, the flows of information which must be monitored, the individuals in and out of government and other donors with whom one must remain in contact, the number of projects to be designed, proposals tendered, contracts negotiated, and projects monitored, etc. are all thereby reduced.

Limiting Functions Performed by AID Mission. USAID Mission staff will limit themselves to program and project design, monitoring and evaluation. Direct implementation tasks will be performed by private contractors, Participating Agency Service Agreements (PASAs), and private voluntary organizations (PVOs). Day-to-day mission involvement in operational details will be minimized by emphasizing specificity in contract work scopes, detailed work plans from contractors, systematic USAID monitoring, and regular project evaluations to assess performance and provide feedback into project design. Minimizing USAID involvement in project implementation and increasing efficiency of project management will help reduce the Mission workload.

Uganda Local Staff. Compared to most of Africa, Uganda has a relatively large number of well trained, competent workers. Currently, many highly skilled Ugandans are either unemployed or underemployed. The Mission plans to hire a small number of professionals with graduate degrees under personal services contracts, with the explicit understanding that this would be for a limited two- or three-year time period. This could offer a young Ugandan an interesting and professionally beneficial experience while explicitly rejecting the essentially limiting AID local-hire career pattern and encouraging a future on the broader Ugandan economic scene.

REDSO and Other Continuing TDY Relationships. REDSO offers experts with a range of skills who can perform many of the specialized tasks normally carried out by Mission direct-hire staff, as well as provide supplementary staff assistance during Mission peak workload periods. Such REDSO services have proved critical during the early days of the Uganda AID program. Continued use of REDSO staff can significantly reduce the number of Mission direct-hire staff required. Similarly, the establishment of relationships with selected experts from the U.S. can provide the Mission with short-term services which combine continuity and knowledge of local Ugandan conditions with superior technical expertise. It is often possible to attract outstanding talent on a regular short-term basis that would not otherwise be available. Carefully programmed, such short-term experts can perform tasks normally performed by Mission direct-hire staff.

East African Accounting Center - USAID/Nairobi. Presently EAAC performs most of the controller functions for the Mission that are usually performed by the Mission controller's office. The quality of service EAAC has provided this Mission during a difficult start-up period has been uniformly high. Notwithstanding the significant growth in our program planned for FYs 1980 and 1981, we see no reason why these controller functions cannot continue to be performed by EAAC in the future.

Joint Administration Organization (JAO). The use of a JAO, whereby the Embassy provides most of the routine administrative support services to AID, potentially offers significant management advantages to an AID Mission. Notwithstanding the frequently disappointing experience AID has had with such joint support arrangements, we believe a JAP is particularly appropriate for Uganda at this time. The Mission has recently concluded an agreement with the Embassy allocating responsibilities between USAID and the Embassy for providing USAID administrative support. The Embassy will provide the Mission most support services, with the major exception of motor vehicles, which will continue to be controlled directly by the Mission. The Embassy has indicated that it would welcome an AID direct-hire person seconded to the Embassy GSO position. This is strongly in AID's interest and AID should make every effort to fill this position.

Involvement of Ugandan Research Institutions. Many of the studies and analyses required by an AID mission are either performed by direct-hire staff of the Mission or by outside, expatriate consultants. We intend to use local research institutions where feasible to carry out such work. At the present time we are impressed with the potential of utilizing a rehabilitated Makerere Institute for Social Science Research for undertaking such analyses and studies. This would provide required information at relatively low cost, foster indigenous research capability, and reduce the workload of the AID Mission.

Contractor Self-Support. The management demands on an AID mission can be greatly reduced by making contractors responsible for their own support. This is not done without some cost, primarily in terms of start-up time and resentment generated if administrative services provided USAID staff are significantly higher than those obtained by the contractor. Many difficulties can be avoided by helping contractors initially establish themselves, which we will do. However, we believe the management advantages to USAID of self-supporting contractors significantly outweigh any cost.

Private Voluntary Organizations (PVOs). USAID policy is to finance PVO projects only when they directly support USAID strategy. PVOs by their nature operate independently, often adopt a more modest lifestyle, require no mission support, and typically require much less USAID monitoring. They are often particularly appropriate for undertaking activities at the grass roots. At the same time, PVOs are frequently less qualified than private contractors or PASAs to carry out tasks involving a high degree of professional expertise. Imaginatively used, we believe PVOs can usefully supplement and reinforce Mission activities with minimal management demands.

MISSION STAFF REQUIREMENTS

We require a USAID Mission staff composed of seven U.S. direct-hire employees and eight local-hire employees to carry out the proposed program. The required U.S. direct-hire staff positions are as follows:

-- Mission Director.

-- Administrative Assistant (to run the AID office and liaison with the Embassy Administrative Office).

-- Assistant Director for Program.

-- Capital Development Officer.

-- Multi-Sector Development Officer.

-- Agricultural Officer.

-- Human Resources Development Officer.

The required local-hire staff positions required are as follows:

-- Two professional level program assistants.

-- Three secretaries.

-- Driver/mechanic.

-- Driver.

(Cleaning and security staff, presently provided by the Embassy, are not included in the above staff levels.)

Only two American staff are presently on board. It is essential that the Multi-Sector Development Officer be immediately brought on board to monitor and expedite implementation of the ongoing program. By no later than early summer, a Program Officer or a Capital Development Officer must be brought aboard if project design and program momentum are not to suffer seriously. This should then be followed over the summer by the recruitment of the balance of the American direct-hire staff. With regard to local-hire staff, three of the eight positions have been filled; the remaining five positions will be brought aboard as the U.S. direct-hire staff arrive.

It should be clearly understood that this is a bare-bones staff that contains no fat; indeed, subsequent experience may show that we have gone too far in creating a lean mission. We believe the potential benefits warrant this effort and the entailed risk. To be successful, however, it is essential that all U.S. direct-hire positions be filled soon with superior personnel.

POTENTIAL IMPLEMENTATION PROBLEMS

Weakened Ugandan Institutions. Eight years of mismanagement and corruption under Idi Amin followed by the liberation war and extensive looting have left Ugandan institutions greatly weakened and demoralized. Buildings and facilities are damaged and looted, equipment is not functioning, vehicles have disappeared, files and records are missing, and staff are paid wages which are wholly inadequate for their support. Added to this is a deeply ingrained pattern of corruption in which virtually all wage earners must engage in in one form or other to make ends meet. This means that most Ugandan institutions, both governmental and non-governmental, are seriously weakened and do not function effectively.

Restoring their effectiveness will be a long-term process which must largely be undertaken by the Ugandans themselves. For the short run, however, it implies continuing difficulties in assuring first, that appropriate commodity imports are requested of AID, and second, that commodities funded by AID reach the intended beneficiaries without being diverted along the way into the *magendo* system.

GOU Budgetary Constraints. Until economic recovery gets underway, and government revenues increase, the GOU will continue to face severe budget constraints. This could result in implementation problems for any project dependent on GOU budget contributions. For the proposed AID program, however, the effects should be minimal. Counterpart funds under the CIP will be generated through the sale of the imported commodities--and as these counterpart funds are reinvested in Ugandan development projects, they should actually ease GOU budget constraints. To the extent these funds are used in support of AID projects, they will directly facilitate implementation and relieve dependence on GOU funding.

The AID projects proposed for FYs 1981 and 1982 will work with established government programs and are not expected to entail any important increase in recurrent budget costs. Indeed, the BEIRD project should actually reduce recurrent costs to the extent it increases education efficiency. Similarly, assistance to cooperatives should result in greater cooperative self-sufficiency. In sum, it is not expected that GOU budget constraints will have any significant impact on AID project implementation.

Identification of Commodities for AID Importation. The USAID Mission intends to list specific categories of commodities which are to be eligible for funding under the AID commodity import program, focusing on those commodities which support small farmer production and marketing, and which do not easily lend themselves for diversion into magendo. This means that project design and implementation will be more difficult; however, in view of the opportunity it provides to target more carefully the beneficiaries and to avoid diversion of commodities into magendo, we believe that the added management problems of identifying categories of commodities is worth the effort.

Distribution of AID Imported Commodities. The transportation infrastructure in Uganda has been cited repeatedly as a potential constraint on the effective distribution of commodities. This is compounded by the need to move most imported commodities into Uganda through the Kenyan transport system, including the port of Mombasa. These considerations, combined with the weakened condition of Ugandan institutions and the need to take care to avoid diversion into magendo, make it prudent for USAID to focus particular attention on the system for distributing AID commodities. We believe that the use of the presently functioning cooperative distribution system, carefully monitored by a U.S. group such as CARE in conjunction with an American cooperative organization, should minimize any disappearance of the AID-funded imports. However, this is expected to be a continuing implementation problem which will require careful attention.

USAID Staff Recruitment. This is presently the greatest constraint to implementing an effective AID program. It will not be possible to carry out the recommended program strategy without the very small mission staff proposed. It is essential that AID provide the necessary support to locate the few, well qualified persons required to implement this program.

Assistance Planning Level

An Indicative Proposed Interim Assistance Planning Level (IPIAPL)

Table

IPIAPL for Uganda (in millions $)

By Development Objectives, Source of Funding

Development Objective/Funding Source	1980	1981	1982	1983	1984
1. Providing Short Term Commodity Import Assistance to Promote Economic Recovery					
Bilateral	20	10	0	0	0
PL-480 Title I	15	0	0	0	0
Africa Bureau Allocation					
2. Agricultural Systems Research and Extension					
Bilateral	0	4	8		
AID/W Funded					
Africa Bureau Allocation					
3. Basic Education for Integrated Rural Development					
Bilateral	0	3	8		
AID/W Funded					
Africa Bureau Allocation					
4. Restructuring of Cooperative Societies					
Bilateral	0	3	8		
AID/W Funded					
Africa Bureau Allocation					
Grand Total	20	20	24		
AID New Programs					
Bilateral (incl PVOs)	20	20	24		
AID/W Funded					
PL-480	15	0	0		
Africa Bureau Allocation					