PN-ABK-019

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USAID

COUNTRY PROGRAM STRATEGIC PLAN

UGANDA

1992 - 1997

VOLUME ONE

MAIN REPORT

BEST AVAILABLE

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SECTION I
STRATEGIC OVERVIEW OF THE COUNTRY PROGRAM STRATEGIC PLAN

A. Overview

Uganda is passing through a structural transition from recovery to growth. A review of the program of U.S. assistance is called for, to revise the USAID program to reflect this transition and to facilitate it. Various constraints, both economic and political, must be overcome to attain this growth and to prevent backsliding. In this paper, USAID proposes a new program strategy to address these transitional constraints, in order to pave the way for broad-based growth and constitutional development, as a means to our program goal of sustainable improvements in the standard of living.

The long hard journey to recovery has reached adolescence. To date, progress has been encouraging and, in the case of economic reforms, impressive. Most important, stability exists in most of Uganda. The beginnings of economic recovery have come with stability. Beginnings have been made in political and economic liberalization.

A lively free press exists. A constitution is being drafted with the participation of much of the population. An active parliament that operates independently of the executive branch meets often and acts occasionally. The judiciary is being revived. The threat of personal violence is greatly diminished. The status of women and their economic opportunities have improved significantly. Many questions central to building a democratic system of government, such as multi-partyism, structure of government, and terms of office, remain, but the Government of Uganda (GOU) seems committed to addressing them equitably. Human rights abuses still occur, and some even receive local press coverage. Corruption is a major issue that will not be easily resolved. However, on balance the positive exceeds the negative and the overall trend line is up.

Similarly in the economy the trend is positive. The government is reducing its role in the economy. Parastatals are being privatized or liquidated. A major currency devaluation took place in 1987 followed by regular depreciations since then. In 1990 the GOU legalized a free market for foreign exchange. The GOU also committed itself to the convergence of its official exchange rate with the market-based rate by the end of 1991. Inflation, which has run as high as 300 percent per annum in the last five years, was reduced to under 30 percent in 1990, although it relapsed to 39 percent for mid-1991 rather than the 15 percent targeted. GNP grew annually by an average 4.5 percent during this period. Agricultural production grew at an average of 4.9 percent, significantly faster than population. Non-traditional exports are also growing, reaching approximately $30 million in FY 90 (from preliminary statistics of the Ministry of Planning and Economic Development [MPED]), which is particularly encouraging

given the drop in coffee prices. Most of this growth comes from rehabilitating existing capacity, however; sustained growth requires new productive investment.

Much remains to be done. The foreign exchange market needs to be stabilized. The Departed Asians Property question needs to be settled equitably before significant foreign investment is likely. The financial system must be deepened to provide safe and rewarding financial services for poor urban and rural savers, to transform domestic savings into productive investment, and to absorb both government deficits and business privatization inflows of capital in a non-inflationary manner. The Investment Authority needs to develop the investment incentives enumerated in the investment code, and the government needs to repeal or amend the industrial licensing act to encourage new domestic and foreign investment. The tax system and its administration needs to be substantially improved: current collections equal approximately 6 percent of gross domestic product (GDP), which is extraordinarily low even by African standards. Civil Service salaries, including those of teachers and health workers, are too low even to retain, much less motivate, highly skilled personnel; these salaries cannot be improved without significantly greater government revenues.

In the social services field, the picture is bleak and getting worse. The two most important issues are education and health, where retrogression has been particularly severe over the past two decades. Young Ugandans are not as well educated as their parents and, if current trends continue, the next generation will be even worse off. AIDS is emerging as a major killer, with an estimated 1.2 to 1.5 million persons (out of a population of 16.6 million) currently HIV positive at the same time when other tropical diseases, such as malaria and sleeping sickness, are also making a comeback. At the macro level, Uganda is only beginning to address educational and health issues effectively.

In addressing these issues, USAID has been following a three stage approach: relief, recovery, and growth. Initial emphasis (1979-1985) was on relief; rehabilitation of the economic infrastructure began in 1985. The recovery stage continues with much reconstruction taking place. Now growth of new capacity is beginning. These stages are not mutually exclusive; relief work continues in some areas in Uganda while in other areas real growth has begun. Recovery, however, remains the dominant theme. This will continue for the period of the Country Program Strategic Plan (CPSP).

When A.I.D. returned to Uganda in 1979, the absorptive capacity of the economy was minimal. To transfer the volume of resources necessary for relief and then rehabilitation, USAID identified as many conduits as possible for effective resource transfer through (and for) the private sector, cooperatives, and nongovernmental organizations (NGOs) as well as through government. As these sectors have recovered, this balance has been maintained: currently only a third of our program is implemented through the GOU. Programs have had to be monitored

closely, since in this experimental phase some interventions were found to provide resources to institutions that had been corrupted by their leadership, and had to be shut down and/or redesigned quickly. Others received resources beyond their capacity to implement, and corrections in budget level and management were called for. However, our program could not have achieved its successes to date without this willingness and ability to test the frontiers and to focus our aid only where focus leads to results.

B. Impact of the Existing Program

Over the past five years USAID funded activities have made encouraging progress. Notable examples include the Agricultural Non-traditional Export Program (ANEPP), Manpower For Agriculture Development (MFAD), Cooperative Agriculture and Agribusiness Support (CAAS) and a PL 480 program.

The Export Policy Analysis and Development Unit (EPADU) -- funded under ANEPP -- provided the GOU with the analysis required to liberalize the foreign exchange regime, reform the export licensing procedures and increase competition along the marketing chain from producers to export markets. EPADU and ANEPP have contributed significantly to increasing the share of non-traditional exports from 3-5 percent of total exports to approximately 10-15 percent over the past three years.

Research sponsored by MFAD has had significant impact. Total national potato production has more than trebled each year since 1986. Bean research has been similarly productive, and a commodity econometric model of the Ugandan bean industry has been developed. By developing disease resistant varieties, farmers have increased total bean production by 13.1 percent per year between 1985 and 1990. Other research crops that have enjoyed significant increase include maize, yams, millet and sorghum. Demonstrating a comparative advantage not assisted by Government, Uganda has become an exporter of beans to neighboring countries and has sold beans and maize to the World Food Program for hard currency.

Improved cooperative business management, accounting systems and training have been established in 50 percent of all cooperative societies and unions. The Cooperative Act has been revised by parliament, effectively removing government control, and thus moving toward greater privatization of the cooperative movement. Cooperatives have expanded in the marketing of production inputs and products by over 30 percent.

PL 480 Title I tallow provided the impetus for the regeneration and privatization of the domestic soap industry. The strong response of the private sector to policy reform and resource availability indicates strongly that wider reform will be rewarded by increased growth. Currently Uganda meets all of its domestic requirements for bar soap, and exports are beginning to Zaire and Tanzania. On its own, the greatly rehabilitated industry is expanding into detergents.

Progress in rehabilitating the economy has been impressive. If it continues for the next three to five years, the stage will have been set for a strong launch into sustainable growth. We are retaining flexibility in our program in case we are mistaken. The economy remains fragile in the face of external shocks. Democracy and the new constitution may turn against their creator and succumb to demagoguery and economic protectionism or socialism. The National Resistance Movement (NRM) Government itself may lose its willingness to continue reform in the face of potent opposition. To support the process, USAID seeks to establish the basis for sustainable and visible improvement in the standard of living. We believe this basis can be established within five years, and would lead to a new — growth-oriented — strategy.

C. Focus

The program we are proposing is limited to four areas: nurturing an environment for growth, agriculture/natural resources, health and education. Within these spheres of concentration we are focusing on specific subsets, i.e., exchange rate reform, agricultural marketing, AIDS, MCH/CS, and primary education. These areas were selected based on the needs of Uganda, A.I.D.'s legislative mandate, and the skills available to or readily obtainable by USAID. Some targets of opportunity — largely legislatively mandated humanitarian concerns — will be undertaken, but these efforts will be limited in scope and almost exclusively confined to the private sector. They will not be a heavy additional burden to the Mission.

D. Objective

The overall goal of this period is to establish the basis for sustainable improvement in the standard of living. To do that, the rehabilitation phase will have to be largely completed. Our overall program falls into two parts, productive elements of society and the social sector. Within this broader classification we have four distinct subgoals (SG), each with a distinct strategic objective (SO):

1. SG: Sustainable, equitable economic growth promoted on a competitive, diversified basis.

   SO: Rural men's and women's income from agricultural production, marketing, and processing increases.

2. SG: Improved quality of the Ugandan educational system.

   SO: The number and competence of primary education graduates increases.

3. SG: Improved health status of Ugandans

SO: Health status of target groups improves by reduction in the HIV transmission rate, by improvements in child survival and increases in the number of couples practicing family planning.

4. SG: Sustained diversity and productivity of the natural resource base.

SO: Improve practices for sustained productivity of natural resource base adopted in target areas.

The subgoals and strategic objectives are related. None can be achieved without the others being reached as well.

For virtually all Ugandans, social service objectives are the most important. Education predominates. The Ugandan people believe government has a primary responsibility for education, even though parents currently finance virtually all primary education investment and operating costs. The ordering of our subgoals and strategic objectives reflects the need to build an economic base that can support the needed social services at a sustainable level.

Without progress on providing access to quality education, any Ugandan government will remain highly vulnerable. Economically, rehabilitation cannot be completed nor can a program for sustained investment be productively initiated without progress in education. Similarly, for informed democracy to be maintained and the quality of governance to be improved, progress in education is required. While there are currently educated Ugandans to meet present demands for skills and management, their ranks are being decimated by AIDS, and the next generation is not there to take their place. Thus as the economy expands, the demand for trained personnel is beginning to grow while the supply declines. A start on correcting this situation needs to be made.

The ravages of AIDS are rendering Uganda highly vulnerable to a range of difficulties. The most obvious is that the most highly trained personnel (generally also the most urban, and more likely to have multiple sexual partners) are dying or being infected at a rate far higher than their replacement. Their illness and death deprive dependent children and the elderly of support. Investors' attraction to Uganda is significantly decreased by AIDS. Programs to contain the spread of AIDS have proven unequal to the task. This must change.

Just as progress in the education and health sectors is a requirement for real growth, economic growth is necessary to sustain education and health. To this end the major emphasis of the USAID program will continue to be support for economic growth programs.

E. Options

A.I.D. and other donors have supported strongly the NRM Government and its progress from relief to recovery and (in isolated patches) growth. If the Government continues along the path it has chosen, our support will have a high level of impact on Ugandans at every level of society and continued — even increased — support can be justified. Likely though this is, if it fails then our resources can and should be invested elsewhere where the benefits are greater. Programmatically, we see three major options, each related to the development performance of the GOU and the Ugandan people. By its performance, the GOU determines the capacity of the Ugandan economy to absorb assistance and external resources, so the appropriate option will be determined by the *response of the GOU* to the *economic environment*. In this CPSP, when USAID Uganda refers to "conditionality," it is to respond to these conditions — as measured by program performance indicators — rather than to the *quid pro quo* conditionality, which attempts to assign a donor price tag to certain measures without judging the *process* to which they must contribute.

Option 1: Cut Back: $10 to $20 million

Circumstances: There is political and policy retrogression, i.e., a democratic constitution is not adopted, human rights violations increase, the exchange rate gap increases, and government does not meet its commitments to support existing activities.

Program: The core program would focus on basic human needs and training. Ongoing projects continue but, with the exception of AIDS, are not replaced. Non-project assistance (NPA) — particularly at the sectoral level — is not undertaken.

Option 2: Hold Steady: $40 to $60 million

Circumstances: Recovery continues but at a limited pace and without some of the policy reforms identified as key under Option 3. Implementation of reforms may lack vigor. For example, instead of a phased transition to a market system, government retains administrative allocation of most or all foreign exchange but continues near a market rate. With any of these missed opportunities to reform, successful implementation of individual projects and programs is still likely, and our existing program would have a significant development impact. We think these circumstances would be transitory, however, with either the GOU or the people compelling progress or regression. Achievement of project objectives would contribute only to partial achievement of country program goals.

Program: The precise form of this program will depend upon the degree to which Uganda's performance is maintained, and will need to be assessed periodically. In general terms, we foresee our current core project activities continuing; those that meet their objectives may be extended and built upon. Training continues. NPA and

sector assistance continue in areas where it is effectively implemented and has the desired impact. We anticipate these would be private-sector-oriented programs such as export diversification.

Option 3: Growth: $80 to $100 million

Circumstances: Government meets mutually agreed timetable for reform, i.e., year one unified exchange rate, year two settlement of the Asian property question, and year three implementation of the Constitution. Sectoral conditionality is met as conditions precedent to specific activities. Uganda continues its export led, private sector oriented development. Under these circumstances, the program would expand during year one and stay that way as long as Uganda remains in compliance with the conditionality.

Program: Option 3 takes advantage of current opportunities for USAID to maintain its lead role in helping the GOU define Uganda's macroeconomic reform agenda, and formulating and implementing new policies, such as the creation of a unified, market-based foreign exchange system. Expansion along the basic lines of FY 90 and FY 91 continues. Steady support for redesign and consolidation of existing activities continues. New activities replace completed ones. NPA expands in support of specific new policy opportunities, as identified and negotiated. Improvements in the marketing system are emphasized. Possible activities are undertaken in the financial sector.

The structure of the program will remain similar to that of the existing portfolio. Agriculture will remain our primary sector, but we will look at it broadly so that opportunities for growth in the economy as a whole, in agribusiness and natural resources are rapidly exploited. As education is in crisis, USAID will initiate a primary education program, our part of which is intended to be time-limited in the expectation that other donors plans for follow-on activities will come to fruition. Health programs — especially in AIDS and family planning — will expand.

F. Recommendations

If there is recalcitrance or, worse, relapse, even existing resources may not contribute to adjustment and growth, so program cutbacks would be in order. If the GOU responds to the economy in a supportive way, there is a role — described in this paper — for an expanded A.I.D.-financed program. This paper is based on the assumption the GOU will meet the criteria for Option 3 and thus the economy will be able to absorb high levels of aid. If there is even a modest shortfall, the program would continue as outlined in the ABS, along the lines of Option 2.

This CPSP is based on the assumption that Uganda will meet the conditions for high option funding and that A.I.D. will provide funding. We are also assuming that the CPSP will be obsolete after approximately three years, at which time success or

failure will have sufficiently changed conditions so that a revised plan will be necessary. Under these assumptions, USAID will be finishing up some existing projects, continuing others through the CPSP period, and designing new activities to exploit developing opportunities.

G. Issues

The program issues facing A.I.D. can roughly be divided into four categories. One, Ugandan progress; two, appropriate goals for the current situation; three, absorptive capacity; and four, appropriate program mix and size.

1. Ugandan Progress 1986 - 1991

Ugandan accomplishments over the past five years have been considerable. A stable government has been established, security has come to much of the country, the economy has been significantly rehabilitated, a start has been made on developing a democratic constitution, reliance on market mechanisms and private initiative is progressing, and social services are being rehabilitated.

On the down side, a disruptive, economically costly and unnecessary conflict continues on the Rwandan frontier, large areas of the north are insecure, human rights are sporadically violated (especially in the north), the government has unilaterally extended itself in office, there is continued flirtation with statist economic and political theory, and corruption is widespread.

While results have been generally positive, this is especially true in comparison with the past. A.I.D. support has been generous and growing, and has been rewarded with significant progress.

2. Appropriate Goals for the Current Situation

The milieu in Uganda will remain extremely difficult for the foreseeable future. The ravages of the Amin and Obote eras will take at least another decade to heal. (If this seems long, one might reflect on the aftermath of the U.S. civil war.) Concurrently, Ugandans must deal with the AIDS epidemic, which is generating casualties far in excess of the previous political violence and which is much more difficult to bring under control.

Social services, particularly in education, are in disarray and will take at least a decade to reach minimally acceptable levels.

Corruption abounds (for survival for many, from venality for a significant few) with little realistic short term expectation for bringing it under control. For example, the current government salary scale tops out at USH 17,000 per month. That buys a modest dinner for two at Kampala's favorite Chinese restaurant. ($1 = Ugandan

shillings [USH] 950). Most civil servants earn USH 2,500 - 3,000 per month, the retail equivalent of 3-4 beers. We believe that goals for this period, especially in gross indicators, should be modest and realistic. These are reflected in Section VI.

3. Absorptive Capacity

The absorptive capacity of the Ugandan economy is limited, and NPA is not a magic solution for this constraint. While we have had great success with NPA, what can be prudently given is restricted. That limit is expanding but only slowly: it has become apparent that NPA does not generate rural spending, but that it obliges already tight monetary policy to be tightened still further. This action, which sterilizes injections of donor local currency, further depresses rural economic activity and harms the distressed financial system.

Additionally, USAID managerial capacity is reaching its limit with 15 USDH and an OE budget of $1.5 million. However we are confident that management limits can be sufficiently expanded, if necessary, by use of personal services contractors (PSCs) and other contract mechanisms to implement an expanded program.

4. Program Mix

We propose a strategy that can respond appropriately to the GOU's program. The level will be determined by the likely return on the investment -- high if the GOU is effectively implementing a liberal, growth oriented program; lesser levels for lower levels of effectiveness.

As important as the question of program size is its composition. Competence is a far greater constraint than financing. Institutional and organizational performance need to be vastly improved. This will require large inputs of technical assistance, training and oversight. We view regular program audits as particularly critical. In addition, ways of improving the fiscal performance of the GOU, to mitigate the inadequate level of legal compensation of GOU personnel, must be found.

Development needs and USAID managerial capacity argue for a mix of PA/NPA of similar orders of magnitude, avoiding imbalance in either direction. PL 480 Title III will contribute around $10 million in resources. Many activities will follow the direction successfully used in the past two years, having both a project assistance (PA) and a NPA component.

Section VIII gives the sectoral strategies, together with their linkages to policy reform, to the program objectives, and to one another where they mutually reinforce. The analysis leading to these strategies is given in a set of Annexes and Special Studies supporting this paper. Many more options are considered in these annexes than the Mission is proposing to undertake itself. Some may be undertaken by other donors with our encouragement. If there is any conflict between proposals in an

Annex and the recommendations in the body of this CPSP, this paper represents the Mission position.

SECTION II
AN OVERVIEW OF THE ENVIRONMENT FOR SUSTAINABLE, BROAD-BASED, AND MARKET-ORIENTED ECONOMIC GROWTH

A. History of Development, Disorder, and Reconstruction

Uganda has emerged from a period of mass displacements and devastation. Before 1972 Churchill's "Pearl of Africa" was relatively prosperous with an extensive rail and road transportation network, a stable currency, diversified exports and a nascent industrial sector, and a well-trained cadre of people including graduates of Makerere, arguably the best university in Africa. Since Independence there have been six civilian and two military governments and a series of constitutions based on tribal federalism, on strong central government, and on one-man rule. Each time, power has changed hands through coup or civil war, with extensive human rights violations on all sides. Over 100,000 confirmed deaths (the figure may be far higher) have been attributed to Idi Amin. Since Amin's departure, violence has continued, particularly between ethnic groups affiliated with the major political actors. Fifty thousand trained Asians were expelled by Amin, and the number of refugee emigrants of all races — mostly the managerial and entrepreneurial class — has been high, although the exact number is a matter of conjecture. Most industrial and transportation facilities and equipment were heavily damaged or destroyed. The rural economy reverted to subsistence, and there was extensive malnutrition and stunted human growth.

The first economic recovery beginning in 1984 foundered on over-expansionary fiscal and monetary policies that the GOU is still trying to control and on renewed outbreaks of civil strife. The NRM Government, since seizing power in 1986, has taken important steps toward economic rehabilitation and now growth. Further, it owes its guerrilla success in part to the introduction of grassroots democratic self-government, from which it is attempting to develop true national democratic institutions.

1. Macroeconomic and Regional

Ugandan policy makers face a dilemma between attempting to rehabilitate an economic structure they have known but may no longer be appropriate to the modern world, or taking the unknown path of restructuring the economy to face an equally unknown future. The known structure is that of the 1960s, when Uganda was part of the East African Community (EAC) with an industrial policy striving for complementary industrialization within a common market sharing a common currency and protected by a common tariff wall and import substitution bias. Much of Uganda's industrial structure, its public bodies designed to regulate economic activity, and its market institutions were formed first under a colonial government and then the EAC. When the EAC collapsed, Uganda was forced to create new institutions in an unfavorable macroeconomic environment and with little relevant national experience. These institutions were forced to struggle to survive rather than to adapt to a post-EAC, post-Bretton Woods world during the Amin and Obote years. While a Preferential Trading

Area has been created in Africa, it will never have the impact of the EAC; it is a decision based more on nostalgia than foresight.

The unknown path is that of external (export) orientation according to the dynamic comparative advantage of the country. Its shape is only slowly emerging from policy reform, impeded by several constraints: (1) the high level of distortion of the incentive structure; (2) the scale of destruction and decay of the infrastructure necessary for efficient trade; and (3) the shortage of experienced managerial talent capable of responding to price incentives, as a result of the previous expulsion or flight of much of the entrepreneurial class and the creation of new entrepreneurial talent as a survival skill.

The balance of payments was terrible during the 1980s, mainly because of a fall in official coffee exports due to smuggling, virtual cessation of all other agricultural exports, and a steady outflow of capital resulting from insecurity, uncertainty, and frequent policy shifts. From 1981 to 1984, Uganda attempted to liberalize and re-establish internal financial control. This included the auction of foreign exchange, which (propelled by revenue earned from trade surpluses in 1984-85, and the breakdown caused by civil war) led to high levels of capital flight and the reimposition of foreign exchange control. The trade deficit reappeared in 1986, and has increased in every subsequent year. Since 1986 the capital account has been in surplus. This has been by less than the trade deficit, partially as a result of debt rescheduling. The balance of payments has been marked by a rising level of official capital net inflows, which reflect increased ODA flows and which have served to cover the balance of payments deficit.

2. Industrial Development

The formal industrial sector of Uganda developed as a small, relatively concentrated, import-substituting sector. Under the EAC, its main products were consumer goods for local consumption including processed agricultural commodities, textiles, cement, steel, and various consumer goods. Coffee curing and tea processing added value in the export sector. Large-scale industry included textiles, tobacco, beverages, wood and paper products, construction materials, and chemicals. Industry was protected by a tariff wall featuring quantitative restrictions, selective exemptions, and licensing of both import permits and access to rationed foreign exchange. Small industry was — and continues to be — dominated by the clothing industry, but includes milling, furniture making, and general workshops. This system was severely stressed by the collapse of both EAC and domestic demand, on the one hand, and the many factors restraining supply and management, on the other.

The protective regime is rapidly disappearing and, with it, the import-substitution bias of industrial policy: since Ugandan FY 1989/90 the number of tariffs has been reduced from 16 to 5, and the spread from 350 percentage points to 30. Import and industrial licensing remains as does foreign exchange rationing, but the latter is

expected to decline rapidly in importance as the official exchange rate converges to the market rate under the newly established foreign exchange bureaus. Much of the manufacturing industry was destroyed, some through violence, more through neglect on the part of new managers after the owners fled or were expelled from the country. To the extent that this industry rebuilds, it will do so within the new policy environment. In a reversal of past policies, the GOU's industrial sector strategy is to link agriculture with industry, improve the policy and regulatory environment for industry and other businesses, and promote private sector participation in the economy.

3. Social Infrastructure

Education has always been a high priority for Ugandans. Makerere University was, in the 1960s, one of the leading educational institutions of the Third World, receiving the best students from the entire EAC and elsewhere in Africa. In the 1980s the sector faced major problems: the budgetary allocations continued to be the largest single component of the GOU budget, but were grossly insufficient to maintain educational quality. Expansion of quantity (new buildings and enrollments to serve an expanding population) continued to absorb the system's limited resources. Resource allocations tend to favor higher education over primary education: the share of primary education was 41 percent of the education budget in 1975 when primary enrollment was 93.2 percent of the total. Primary education absorbed the most cutbacks also, declining to 20 percent of the reduced budget in 1987 while its share of enrollment declined only slightly to 89.7 percent. In higher education, Makerere has lost its accreditation.

As staff and material declined, parents stepped in to pick up primary and secondary school expenses. By the early 1990s the system was effectively privately financed. Despite parental sacrifices, primary teaching declined to rote memorization of materials that would appear on the Primary Leaving Examination. As a result, the foreign assistance personnel who meet daily with the highly educated, well-trained, and articulate adult population may fail to perceive the large "missing cohort" behind them that lacks even functional literacy. Documentary evidence, although limited, strongly suggests that there are serious gender disparities in education. A new "problem-solving" curriculum, which was designed in the 1970s, has never been implemented for lack of funds (and particularly foreign exchange for textbooks). While assistance through the World Bank/IDA has provided texts and restoration of facilities, it has been inadequate.

Health services in Uganda have historically been provided by a combination of government, parastatals and health practitioners, and NGOs. The government owns 48 of the 81 hospitals. During the 1970s and 1980s, the health infrastructure deteriorated, equipment and drugs became unavailable, and skilled professionals emigrated. Endemic disease vectors that had been controlled have resurged, and with them their diseases: sleeping sickness and malaria. AIDS has emerged as a major cause of illness and death. In spite of 7.4 births per woman, family planning is not

widely practiced. This growth imposes a major burden on health and other social services.

B. Current Environment

1. Macroeconomic and Financial Sector

a. Overview of the economic and business environment

By 1990/91 economic growth had slowed from the boom of the late 1980s. This was due partly to drought and partly to loss in foreign exchange earnings from low prices for (and domestic deliveries of) coffee, which represents 94 percent of total cash crop production, and from relatively high petroleum prices. It is also potentially due to the income gains from recovery in some sectors having been already realized. Growth in some sectors has been rapid (for instance, fishing up 15 percent, mining — mostly due to gold — up 55 percent), but from a small base (fishing, 1.1 percent of GDP; mining, less than 0.5 percent. See Annex Tables 2b, 2c). In addition, the so-called "non-monetized" component of GDP (an estimated 43 percent of the total) grew at only about the same rate as population growth.

Inflation has begun to come under control, declining from around 350 percent in 1986 to 35 percent in 1990. Although the GOU targeted 15 percent inflation for 1991 and this decline is essential for restoring confidence in the monetary and banking system, the end-June 1991 inflation figure had risen to 39 percent[1] before falling to 32 percent by September, and the schedule appears unattainable. Achievement of inflation targets is at the expense of government programs foregone, low remuneration of civil service, and high real interest rates.

External adjustment has gone forward despite a continuously deteriorating external environment. The International Coffee Organization (ICO) quota system collapsed in July 1989, unable to maintain a floor under coffee prices, which fell in the case of robusta to less than half of its 1985 value. Debt service requirements have remained high, at 106 percent of exports in 1990/91: over the medium term, Uganda will be unable to meet its current debt service commitments or reduce its arrears (which represent 15 percent of the debt outstanding) without increased donor assistance, increased debt rescheduling, or outright canceling of debt.

Non-traditional (i.e. non-coffee) exports are growing, but from a small base, and are not yet important enough to generate a private sector lobby for trade liberalization

[1]Since this is based on the price increase over 12 months (June to June), measured inflation would be significantly higher if calculated by compounding the monthly price increase (May to June). The three percent depreciation in the forex rate from 940 to 970 per dollar during June 1991, which would imply a 40-50 percent annual depreciation rate, supports this.

against the larger import-substitution lobby. Thus despite improvement, the external accounts look bleak in the medium term.

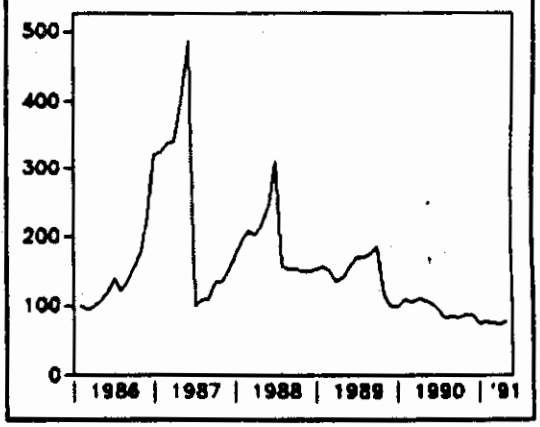
Government crowding out of private debt increased through the end of 1990, but with World Bank assistance much of the GOU debt to the banking system has been repaid, and private sector debt now represents 98 percent of credit outstanding. Annex Table 2d shows, however, that this ratio is very unstable (depending on various unpredictable factors such as the timing of government revenues and expenditures); thus it is difficult to tell whether the previous trend has been reversed.

b. Policy environment and its evolution

The policy environment is warming toward liberalization, and its flame has attracted donor support. The body politic generally supports further transformation toward a market orientation, but the (generally foreseeable) resistance to *aspects* of such a move is strong, intelligent, often populist, and usually articulate. Consensus is not in the offing, and its even-partial achievement requires providing unbiased information and elucidating clarification of position as a prelude to open debate.

Evolution has been rapid on reducing distortions in the trade regime. Since 1988 the number of tariff rates has been decreased from sixteen to five, with the rates compressed from a range of 0-350 percent to 20-50 percent. The export monopoly of the Coffee Marketing Board has been abolished with USAID assistance and that of the Lint Marketing Board reduced. A duty drawback scheme has been introduced, but is cumbersome and continues to be tinkered with in hopes of improving its functioning. The foreign exchange regime has been progressively liberalized since 1987: first, surrender obligations for nontraditional exports were suspended. Beginning in June 1990, the Bank of Uganda (BOU) began active management of the exchange rate; at this time the parallel, or *kibanda*, exchange market was legalized through the creation of a system of foreign exchange bureaus (FEBs), and the BOU began to make the official rate converge toward that rate. For the first time since the foreign exchange auction was abolished, the real effective exchange rate is stable and depreciates to maintain the competitiveness of the economy rather than be whipsawed by regular appreciation punctuated by devaluations (Figure 1, from *Background to the Budget 1991/92*, is based on the official exchange rate). Although this new policy regime appears to confer predictability,

Figure 1
Real Effective Exchange Rate
(Nov. 1989 = 100)



policy implementation of the market-based forex system remains rudimentary with (for instance) no credit or futures facilities to help exporters.

Heavy taxation of coffee, the principal export, continues. Coffee is implicitly taxed by the differential between the official and market exchange rate, and the explicit taxation levied by Government to support the budget. In the 1991/92 budget, an attempt has been made to decrease the rate of explicit taxation.

An Investment Code was enacted January 1991, to clarify the regulations on investment and to provide incentives to investment from abroad, including an Investment Authority (which is partially financed by USAID assistance). However, the GOU has failed to come to terms with policies facilitating the disposal of properties seized from Asians in the 1970s.

A Civil Service review has led to the removal of 30,000 "ghost" employees from the payrolls, saving USH 2.1 billion in the first year. In addition to this, 15,000 employees have received pink slips and another 60,000 are scheduled to during the year. Furthermore, the number of ministries has been reduced by eight, the number of ministers by thirty.

c. Private sector review

A private sector assessment undertaken in February 1991 suggests that there is much to learn about the status and progress of the Ugandan private sector: its health, competitive structure, sources of finance, skills, and hence its ability to respond efficiently to opportunities for diversification and growth are poorly understood. A census of industrial production, which is in the advanced planning stage, will improve this knowledge base.

The private sector accounts for 90 percent of GDP, 83 percent considering only the monetized portion of the economy. The private sector predominates in agriculture (over 96 percent) and is lowest in social services (31 percent) and transport/ communications (38 percent), although data in these sectors are intrinsically of low reliability due to the widespread informal arrangements such as private contributions to education. The formal private sector is highly concentrated and quite efficient at seeking official foreign exchange through complex BOU procedures rather than more expensive open market foreign exchange; that is, it is a lobby against — rather than for — liberalization.

The financial sector remains in difficulty as a result of its poor loan portfolio and additional stress imposed by the structural adjustment process. Nevertheless, four banks have opened since 1988. Demand for credit is unclear, given the high and highly variable rate of inflation and the general difficulties of production and marketing goods (including in agriculture). There is a near-universal informal financial sector about which so little is known that such institutions have no name.

The legal code has not been revised since 1964, and the system for disseminating information on new decrees, laws, acts, and court findings has disappeared: legal gazettes are not published for lack of budget. The legal system cannot be depended upon in these circumstances to enforce agreements and contracts, and business relations are built on experience and trust.

The continuing inability of the GOU to progress with the activities of the Departed Asians Property Custodian Board serves as a deterrent to foreign investment, as much symbolically as for any true constraint to investment. The Custodian Board remains an important source of political patronage and resists reform and divestiture.

d. Fiscal and monetary system, the revenue constraint

Uganda must generate sustainable domestic resource flows to its government to support essential public services such as education, health, and the supervisory functions of market economies that permit transparent and deep markets to develop and operate. It has not done so. Tax collection is approximately 6 percent of GDP, which, although an improvement on 2-3 percent a decade ago, is far short of the 20 percent norm for Sub-Saharan Africa and for Uganda itself in the 1960s. To acquire resources for public use requires the development of the fiscal capability of the Government, at all levels from the village (Resistance Council [RC] 1) to the district (RC 5) to the national level.

Sectoral allocations are badly skewed. For example, the military claims 40-50 percent of the recurrent budget[2], education only 13 percent. Government salaries are extraordinarily low, making corruption inevitable and efficiency impossible.

The NRM Government has found it difficult to restore fiscal and monetary discipline. Its implementation capacity is weak, a problem exacerbated by the inconsistent allocation of revenue sources and collection responsibility between national and local levels. Structural problems are severe: the central government relies upon receipts from one crop (coffee) and one import (petroleum products) for 48 percent of its (non-donor-funded) revenue in 1990/91. Corrective measures have been delayed. External shocks (and the external environment in general) over which the GOU has no control have had severe negative impact on potential revenue sources and hence on collection.

Uganda's revenue service is inefficient and in September 1991 was replaced by a Revenue Authority outside the Civil Service. The Authority has a narrow revenue base from which even an efficient service would have difficulty raising revenue, with

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[2]Precise figures are unavailable. Officially only 20 percent of the budget goes to the military but many items are off budget. For example, coffee sales are handled through the military, as are barter arrangements. A 40-50 percent figure seems reasonably accurate.

the result that marginal tax rates are high (or worse, capricious), and incentives for avoidance and evasion of taxes likewise are high. Inept collection methods combined with high tax rates encourage corruption and smuggling. The distribution of the tax base between local and higher levels of government is such that the perception of benefits received is unrelated to tax burden by those who pay many taxes and fees, inciting taxpayer resistance. At the same time, assignment of collection responsibilities under the system complicates revenue collection at the local level.

2. Balance of Trade, Balance of Payments Growth

Under the multinational assistance program, essential imports are financed under a Special Import Program (SIP) and Open General License (OGL) system. Access under the OGL is limited to pre-qualified firms for pre-specified, firm-specific imports; rationing is performed *ad hoc* by the BOU. The SIP is a temporary "buffer" feature providing access to "excess" foreign exchange beyond the program needs of the priority firms benefitting from OGL, to purchase a broad list of imports; by its sporadic nature it favors the import of high-value consumer goods in short supply and disfavors producers with regular input needs. Foreign exchange purchased through either scheme is at the official exchange rate and thus confers an economic rent on the lucky recipient firm (if luck has anything to do with the distribution of such bounty). Since June 1990 foreign exchange can be purchased through FEBs, described elsewhere; firms that qualify for OGL and have learned how to deal with the BOU's applications requirements resist the extension of the FEB system based on *market* exchange rates and hence the loss of their economic rent.

The balance of payments fails to improve. This is partially due to policy incentives. Official coffee exports declined from 2.8 million bags in 1989/90 to 1.9 million in 1990/91, although an additional volume was probably exported informally. Non-coffee exports increased in response to policy liberalization measures and active export measures, but from a low base that failed to overcome the loss due to coffee. Imports have remained steady and high, at approximately three times the level of official exports ($600 million as compared to around $200 million). The gap, which is around 22 percent of GDP, has been closed by official aid. The capital account has exacerbated this, with an increase in debt service maturities contracted in earlier years now falling due. Despite donor assistance, only limited progress was made toward improving net external reserves. In addition, the BOU does not have a good idea of the size and movement of such reserves because of inadequate accounting; thus the overall results must be taken with some caution.

3. Climate, Agriculture, Natural Resources

Uganda is land locked, situated astride the Equator on the Central African Plateau at a base elevation of 1,000-1,400 meters (3,300-4,600 feet). Rainfall varies from 750 mm annually in the dry northeast with its wetter seasons in April/May and September/October, to 1,500 mm in the southern part of the country where it is more

or less evenly distributed throughout the year. About a fifth of Uganda's area consists of rivers, swamps, and lakes, including a share of the second largest fresh-water lake in the world, Lake Victoria (which is suffering severe ecological stress from Uganda's neighbors). Fishing is an important source of income throughout much of the country. Agriculture dominates the economy in the fertile south, while the herding of cattle and ruminants is widespread in the drier northeast.

Agriculture provides a livelihood to about four-fifths of the population, and contributes 70 percent of GDP and 95 percent of Uganda's export earnings (Annex B Table 4b). The sector (coffee in particular) is the most important contributor to Government revenue. Although it was believed that subsistence farming thrived during the crisis period, evidence of malnutrition and stunted growth found in the Demographic and Health Survey indicates that the subsistence sector is probably significantly smaller than the 41-43 percent of GDP "guesstimated" in GDP calculations. In addition, the overvalued exchange rate policy of the GOU during the mid-1980s in the face of accelerating inflation (see Figure 1) discouraged exports and import substitution, moved relative prices in favor of non-traded goods (subsistence crops), encouraged smuggling of export crops, and reduced the income of both farmers and the Government (from export taxes).

Growth in the sector was low in 1990, only 3 percent compared with average growth of 6 percent over the past three years. It was affected by drought, inadequate supplies of seed, and the appearance of cassava mosaic. Subsistence farming is dominated by plantain in the south (production 7.5 million tons in 1989), root crops (5.5 million tons), or cereals (1.6 million tons) in other areas. The production growth shown in Table 1 is only indicative, since the data are poor, particularly concerning subsistence agriculture. The decline in the cash crop sector was especially attributable to coffee, the most important export crop since it overtook cotton in the 1950s, in which a combination of poor world prices and high implicit taxes discouraged coffee deliveries to the marketing board (that is, smuggled coffee is not recorded).

Table 1:
Agricultural Production

	Share	1987	1988	1989	1990
Food Crops	77.5%	6.0	6.3	6.5	3.0
Cash Crops	4.5	4.1	-4.4	7.0	-7.8
Livestock	14.2	2.3	6.6	1.5	3.5
Forestry	1.9	6.2	6.3	0	3.8
Fishing	1.8	8.0	2.5	-0.4	14.8
TOTAL:	100.0	5.4	5.8	5.6	2.8

Uganda produces both arabica and robusta coffee. Since 1990, coffee can be sold through four cooperatives as well as through the formerly monopolistic Coffee Marketing Board, which has been reorganized into a limited liability marketing corporation. Since the collapse of the International Coffee Agreement in 1989, robusta prices have fallen severely. Unlike in neighboring countries, Uganda does not have a major tree replanting scheme, and its coffee plants are quite old.

Official coffee exports in 1989 were $142 million. In comparison, the other export crops are cotton ($5.8 million), tea ($3.6 million), and tobacco ($2.1 million). With GOU backing, efforts are underway to rejuvenate cotton production — which was once a major export and can be expected to make a modest contribution in the future — and downstream agro-industries (textiles, soap, and animal feed) have had to close or seek imported inputs. Tallow from the United States has been introduced under PL 480 Titles I and III and provides both a valuable resource to Ugandan soap manufacturers and business for American exporters.

Tea production virtually ceased when foreign owners of large estates left during the 1970s, but is currently being rehabilitated. Historically, smallholder tea has served as an important employment buffer around national parks since the tea is unattractive to foraging wildlife, but parastatals control much of this buffer zone, denying smallholders the incentives to work near parks without encroachment.

Tobacco is produced mainly in the northwest, the West Nile area where security problems have been severe. Export growth has coincided with British American Tobacco Corporation repossessing its former properties in 1984. Sugar production, which collapsed in the 1970s, is now beginning again with the recent rehabilitation well underway at two of the three major estates. One refinery began operations in July 1991.

A notable sign of continued rural poverty is the relative lack of sheep and goats (Table 2), which are barely recovering to their combined levels of population of the early 1980s. Cattle and dairy ranches are widespread, but not recovered from the insecurity of the past. Cattle rustling is a regular cause of instability in the Karamoja (northeast) region. Poultry raising is growing rapidly for meat and eggs, and swine production has increased in non-Moslem regions.

Table 2: Livestock Population (000 head)

	1982	1984	1986	1988	1990
Cattle	4821	4993	5200	4260	4913
Sheep	1454	1602	1680	690	920
Goats	2804	3091	3300	2110	3251
Pigs	206	227	250	452	824
Poultry	324	1200	5000	na	na

Viable mineral resources include copper, tin, iron, wolfram, gold, cobalt, and limestone. The mining sector has come almost to a complete halt as a result of low world market prices and exhaustion of reserves in some mines; the major copper mine at Kilembe was closed in 1978 but its tailings are being investigated for cobalt production. Good quality iron ores are known to be present in Kabale and Tororo. Tin, wolfram, bismuth, tantalite, beryl, and gold are mined in artisanal quantities, although environmental degradation associated with gold production is a serious concern in Bwindi National Park; production of tin and wolfram is about 5 percent of its peak in 1970 (see Table 3). Some donors have expressed interest in rehabilitation

Table 3: Mineral Production

	1984	1985	1986	1987	1988	1989 1990
Gold (g)	1,316.7	142.0	149.7	0.0	20.5	1,700.075,230.0
Tin Ore (T)	263.3	5.9	43.5	9.7	63.8	45.024.6
Wolfram (T)	14.7	16.8	19.1	30.2	74.9	32.227.1

Source: Background to the budget

of the various mining and refining works, although their economic and environmental viability is in question.

Although the sector is capable of generating employment, it is capital intensive and the funds have not been found to rehabilitate it. The construction industry, however, has stimulated growth in the quarrying of aggregates.

The hydroelectric potential of Uganda is estimated at almost 2,000 MW from rivers emerging from high mountain ranges as well as the vertical drop of the Nile River in its upper plateau. Installed capacity is only 150 MW (being increased to 180 MW) at the Owen Falls plant on the Nile in Jinja and a minor plant that formerly produced electricity for the Kilembe mine. A planned extension to Owen Falls Dam will add 190 MW later this decade. Nevertheless, electricity provided only 3 percent of commercial energy, compared with 21 percent for petroleum products (which are imported) and 75 percent for fuel wood and charcoal in 1983. Electricity is exported to Kenya under a bulk scheme, but at current pricing this does not cover full marginal cost of production. Shortages of electricity due to breakdowns in generation and — particularly — distribution cause discomfort in general and provide a major constraint to industry, especially for steady steel and cement production, which consume large quantities of electricity.

Uganda's extensive natural resources have been badly damaged through encroachment on forest land for cultivation, timber production, and fuelwood/charcoal supplies; through poaching; and through grazing of livestock in the extensive national park system. The stock of larger mammals (elephants, hippos, lions) has been reduced to a tenth of its former size, and the rhinoceros has been hunted to extinction. Nevertheless, with peace the herds are reconstituting themselves rapidly. Shortages of fuelwood are becoming a problem in some areas. Three new national parks were gazetted in 1991 adding to the four established national parks, timber exports have been temporarily banned pending an inventory of resources, and several rehabilitation projects for forestry and parks have been undertaken by the GOU with donor support.

4. Industry and Entrepreneurship

The industry of Uganda is dominated by the private sector and by small-scale enterprises, less because of dynamism of the private sector than because of other events: the larger, parastatal enterprises were targets of looting during the civil disturbances, many managers and skilled staff fled the country or were expelled, infrastructure declined markedly, lack of foreign exchange deprived import substitution

Table 4: Industrial Production

		Growth Rate (percent)					
	Share	1985	1986	1987	1988	1989	1990
Drinks & Tobacco	26.1%	+6.8	-3.1	+21.7	+39.6	+2.9	+80%
Food Processing	20.7	-5.9	-9.2	17.2	28.0	20.1	10.7
Textiles/Clothing	16.3	-27.8	-6.1	7.6	21.8	8.9	-12.4
Chemical/Paint/Soap	12.3	-4.2	+0.3	70.1	11.2	46.5	12.9
Other	24.6	-11.3	-6.9	0.1	10.7	25.5	8.2
Total:	100.0%	-9.9	-5.5	+16.1	+23.7	+17.4	+63%

Source: Background to the budget 1991/92

industries of inputs, and the collapse of the EAC destroyed output markets artificially created by tariff walls. Important questions of ownership of factories seized from Asians impede access to credit and to markets, and affect investment decisions. Small and consumer goods industries have been constrained by the low growth of domestic demand.

Industry is dominated by tobacco and beverages; food processing; textiles and clothing; and chemicals, paint, and soap. Production rose by 6 percent in 1990 (Table 4 must be used with caution, as it is based on only 41 firms) after a three-year period of much healthier growth recovering part of the abrupt decline of the mid 1980s: by 1986 output was estimated to be little more than a third of the post-independence peak levels of 1970-72, and has since recouped almost half the difference. Performance by sub-group was mixed in 1990, unlike in previous years when all sectors had performed more or less in the same direction. Manufacture is still relatively minor, accounting for barely 5 percent of GDP. The sector is somewhat constrained by shortages of imported inputs, despite assistance in the past by A.I.D. and other donors, and despite progressive liberalization in access to foreign exchange through forex bureaus (which remain on a cash, or spot, basis and do not issue letters of credit).

The largest entrepreneurial class, the Asians, were expelled in the 1970s. Many educated Ugandans fled the country during these years and have not returned. However, the shortages of the 1970s and the token size of civil service salaries during

the 1980s have engendered entrepreneurship as a survival skill. Information is severely lacking on the informal sector (which at any rate appears constrained by weak domestic demand). The GOU and NRM are actively publicizing their desire for the return of these skilled expatriates and appear sincere in their intent to return all confiscated properties, with limited results so far. The availability and distribution of entrepreneurship are unknown.

5. Health and Sanitation

Any discussion of the health sector in Uganda in the 1990s is dominated by AIDS. Although other health issues — particularly population and maternal/child health and child survival — are critically important, they are dwarfed by the magnitude and immediacy of an estimated 1.3 million to 1.5 million people in Uganda (out of a population of 16.6 million) carrying the AIDS virus.

Uganda confronts twin specters looking ahead to the five years covered in the CPSP. The first is an epidemic with likely mortality rates comparable to those of its sleeping sickness epidemic in the early years of this century. That epidemic killed almost 50 percent of the population. The second specter is a child dependency ratio unprecedented in history as AIDS orphans are added to the numbers orphaned during civil strife in the 1970s and 1980s.

In the worst case scenario, there will be 4 million people infected with HIV (and 870,000 with AIDS) by the year 2010. Death rates will be highest among children under five and young adults. The social and economic implications of these predictions go well beyond the health sector. AIDS can be expected also to impact the country's economy, work force, social fabric, and natural resources.

The Ugandan health system was once considered among the best in Africa. Two decades of civil war have decimated that system, although the infrastructure remains. The sector has been marked by return of endemic diseases and the rapid rise of AIDS as a health problem, and by a lack of resources (including essential medicines) with which to respond even to normal health problems. The AIDS epidemic is overwhelming hospitals. A rapidly growing population further strains the health system. In a survey of 25 countries in Africa, Asia, and Latin America, Uganda emerged with the unenviable distinction of having both the highest actual fertility and the largest desired family (1989 DHS). Ugandan women have an average of 7.4 children. At the estimated 3 percent growth rate, the population will double in 23 years.

With donor assistance, some essential drugs are distributed regularly and physical plant rehabilitated. The local political system, the RCs, have taken on a watchdog role to ensure that these drugs reach the needy rather than being diverted into the black market, a problem when the salaries of health professionals will not cover daily needs. The GOU has opened a new medical school based on preventative

medicine and working with NGOs, although this is seen as a poor use of limited funds by most donors who are supporting instead rehabilitation of the current curative and public health facilities.

SECTION III
KEY CONSTRAINTS TO GROWTH AND OPPORTUNITIES FOR REALIZING A BETTER LIFE FOR THE NEXT GENERATION OF UGANDANS

The types and scale of constraints to growth suggest it is premature to expect to achieve broad-based, sustainable, market-oriented growth during this CPSP period. Although growth will probably be strong in some sectors of the economy, its sustainability and its eventual breadth will not arise out of current rehabilitation and export diversification measures. This section reviews constraints to establishing the *preconditions* for such growth in the future.

A. Threats to the Human Capital Base

The replacement of the Ugandan skill base remains an important constraint to growth and development. The rote-based educational system has actually deteriorated as a result of budget constraints to the point where teaching is geared to passing the primary leaving examination, with little other content. Brain drain has not been reversed although the rate of flight has declined. AIDS threatens to decimate the educated class, which, being mostly urban, has been the hardest hit.

1. The AIDS Epidemic

AIDS threatens to kill a substantial portion of the population, particularly the educated group in which the most significant investments in human capital have been made. It also will increase the dependency ratio drastically, affecting future investments in education of the young, their access to resources, perhaps even their nutrition.

Although there is some evidence of behavior modification on the part of Ugandans, AIDS *prevention* must be addressed if the spread of the disease is to be slowed. USAID is already active in the field, but the results of this intervention are unclear and the scale — including contributions by other donors — is inadequate to the problem. Rural populations are also at risk, but the methodology for changing behavior clearly differs for these groups.

AIDS *alleviation* is stretching the medical resources even of the developed world. In Uganda it threatens to reduce savings and investment, to lower the standard of living of survivors, and to affect the availability of remaining human resources. AIDS widows already face severe problems attempting to maintain access to resources, as do AIDS orphans.

2. Population Growth

Population growth at 2.5 to 3 percent[3] in spite of the devastation of AIDS already is imposing severe ecological stress in certain areas of the country. It is also a major factor in the inability of the GOU to provide adequate social services: with no change in this rate, in the next 30 years Uganda will need a projected 20,000 additional primary schools and 234,000 additional primary school teachers without considering improvements in quality of education.

3. Communicable Disease and Public Health

The return of endemic disease threatens labor quality and poses a budgetary problem for the GOU. Tuberculosis, malaria, and parasitic diseases are on the rise. Protected water supplies are accessible to only about a third of the rural population. Local communities attribute high priority to public health measures, as indicated by the large share of their meager resources being devoted to spring protection, and by the active role taken by local RCs to monitor and audit the distribution of essential drugs.

4. Education, Training, Upgrading Skills

It is easy for foreigners to overlook the fact that the skill base of Uganda has declined when speaking with articulate, well-educated middle-aged Ugandans. While in quantitative terms education has expanded, the skills transferred have declined greatly. This is especially true in rural areas and particularly critical among women; rural women are three times more likely (40 percent) to have no education than their urban counterparts (13 percent). Even when education projects begin to correct this decline, functional illiteracy among a "lost" cohort that is now just entering the labor force will remain a problem. Further, disproportionately low education levels are found among girls. Although 44 percent of pupils in primary schools are female, they constitute only 26 percent of all secondary students and only 16 percent at university level. Research indicates this affects later economic productivity and fertility.

5. Sustainability of Investment in Human Infrastructure

The GOU budget is unable to meet the basic expenses of education and health, and its resources are profoundly misallocated within these sectors -- on curative rather than preventative medicine, on secondary and (especially) tertiary education rather than primary. As most donors will not upgrade salaries, it appears difficult to sustain any measures taken to upgrade human capital.

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[3]The January 1991 preliminary population census result implies 2.5 percent growth, although best estimates continue to be 3 percent. This discrepancy is currently being investigated by demographers.

6. Opportunities for Improving Human Capital

Investment in human capital (which by its nature is far more flexible than most fixed capital) has been a significant contributor to growth in many countries. Uganda's problem is different, in that without such investment the country's human capital endowment will fall. This is not just through "brain drain," which is a widespread phenomenon. It is through the labor force maturing process, due to Uganda's inability to replace skilled workers and entrepreneurs lost through normal retirement and death. This trend is accentuated by accelerated forced retirement from economic activity and increased mortality, due both to AIDS and resurgent endemic disease. Clearly there are opportunities to address this from both ends and in the middle:

- Mortality among those already infected by the AIDS virus is beyond our influence. Introducing prevention among those not yet affected will be costly, but essential (see Section VIII);

- Natality is probably beyond our power to influence in the medium term, but worth an investment in setting the preconditions for the response that in Kenya collapsed total fertility rates from 7.2 to 4.7 children in 11 years;

- Development of the "lost cohorts," those adversely affected by the collapse of the educational system since the 1970s and who will not be picked up by rehabilitation of primary or vocational education, particularly women; and

- Rehabilitation and reform of primary education to meet the needs of the emerging Ugandan market economy, including ensuring the sustainability of the GOU educational system. This requires not only recovery of government revenues at all levels, but also difficult changes in the allocation of revenue within the GOU budget.

B. Sustainability of the Natural Resource Base

Especially in the southwest part of Uganda, population pressure is leading to marginal land being opened for farming. The draining of marshes is leading to drops in water tables, increased stress on lake water quality and fishing, and climatic change. Conflicts exist between wildlife conservation and agricultural, forestry, or herding uses of land. Gold mining in the Bwindi National Park is leading to severe degradation of the forest environment. Ugandan natural resources can prove an important source of revenue from tourism, but only if they are maintained; this in turn requires a populace that understands and benefits from conservation of the resource base.

Agriculture is clearly a source of the comparative advantage of Uganda in trade. However, farmers have limited access to technical advice, credit and inputs.

Marketing can also be a significant constraint. Women have less access to resources, despite the fact that they provide as much as 80 percent of agricultural labor.

Much of the Ugandan export strategy is based on non-traditional agricultural exports, and on adding value to such exports. Other activities which damage the resource base have been proposed as investments: industrial salt production, intensive fishing, and cotton farming come to mind. As the economy recovers, pressure on the resource base is likely to intensify.

Clearly a first element of a strategy to resolve this would be to block the negative contributions of others. This has been done through donor coordination, though every donor faces the risk of an interested party succeeding in receiving bilateral approval for a project which damages the carrying capacity of the environment. The second – positive – element has already been addressed by USAID with its Action Program for the Environment which attempts to generate revenue from eco-tourism and to help rural residents appreciate the economic benefits they can receive from engaging in activities which do not unduly damage the unique environment of Uganda.

C. Impediments to Market-led Growth

The USAID strategy has been to support the re-emergence of competitive markets to convey resource allocation signals to the widest possible number of participants through the broadest mechanism, the price system, and to make these prices represent relative scarcities. Liberalization by itself is not sufficient, since other constraints exist to the response of entrepreneurs to the incentives offered by markets.

1. Efficiency of the Public Sector

a. Tax revenue for public services

Certain activities (education, health, regulation) are the legitimate role of government in a market based economy. However, the GOU is unable to provide these, due to lack of tax revenue. The newly established Revenue Authority provides a partial, expedient, solution, but a more permanent approach to this constraint must be found and applied. This approach includes resolving conflicts between local and national governments over tax collection and uses. It also includes tax policy reform and related issues such as tax structure and incidence.

b. Delivery of public services

The delivery of public services is constrained by inefficiency of personnel and systems, overcentralization of service delivery, and lack of participatory control over the provision of such services. The RC system (reviewed in Annex C-2) provides an effective watchdog mechanism though RCs lack enforcement power, as seen in

several cases in which RCs have attempted to dismiss corrupt or incompetent District Administrators only to have them reinstated by the Presidency. Participatory control is also a problem in primary education: the financing of public education has effectively been privatized but supervision, promotion, and sanctioning continue to be performed by a central authority that lacks the necessary material to perform its job properly.

c. The incentive structure for civil servants

The constraints to delivery are not unlike those of most centralized bureaucracies, and, indeed, Uganda can be complimented for the many dedicated public servants who perform to the best of their ability despite receiving neither sufficient salary nor budget for operations. However, workers cannot live on existing salaries, and system-wide alleviation is beyond the resources of donors. A Revenue Authority and secretariats to conduct agricultural policy research, AIDS coordination, and environmental planning have been established outside the civil service. Their incentive structure related to performance attests to the problems of the civil service delivery of public services.

d. Privatization

Uganda is moving, both in policy pronouncement and in fact, toward privatization of many government functions in the productive sectors, including attempts to attract foreign investors and the transfer of many previously public activities to the private sector. The remaining constraints are principally the continued process of divestiture, liquidation, or rationalization of state-owned enterprises; the introduction and clarification of the rule of law to support business contracts; and the problems — symbolic as much as real — posed by the continued unwillingness or inability of the Departed Asians Property Custodian Board (DAPCB) to sell or return property to its owners. Until GOU policy becomes clear in these areas and steps are taken to demonstrate unequivocally the GOU's commitment to privatization, neither flight capital nor new foreign capital will be attracted to the Ugandan private sector.

2. Competitive Ability of the Private Sector

Economic liberalization, while an important first step in market development, must be complemented by measures to address the problems discussed earlier in order to increase the competitive ability of the private sector.

The closely related constraints of property rights and entrepreneurship are serious impediments to the development of a competitive, market-based development strategy. These are particularly acute for women. The DAPCB's poor performance at returning or disposing of properties constrains new investment. In rural areas, there is already evidence that AIDS is disrupting inheritance patterns to land, to the detriment of widows and the young. Finally, contract law is poorly enforced in the

overburdened court system. The slow return of the entrepreneurial class, largely Asian or skilled professionals who fled during the 1970s, deprives the economy of scarce entrepreneurial skills, although the survival skills of civil servants has bred some entrepreneurial talent. Looking further ahead, the educational system continues to train the young for careers in the civil service, rather than for private sector entrepreneurship that is more relevant.

Serious sectoral constraints are raised where imported inputs are required and foreign exchange continues in short supply. USAID has addressed this through provision of important contributions of foreign exchange (term finance, raw materials, and packaging), but access continues to be irregular and unequal. Deficiency of knowledge of foreign markets constrains firms that attempt to penetrate the export sector. Transport (particularly in rural areas) continues to impede development of other sectors. Continuing shortages and interruptions of supply of water and electricity lead to problems in production. Other market infrastructure, from contract enforcement to telecommunications, remains primitive.

The financial sector lacks the depth to facilitate investment in fixed and working capital necessary for growth, or to provide the necessary infrastructure for domestic

Table 5: Monetary Survey — Components of Broad Money

	Percent of Broad Money				Other Ratios (Pct)	
	Currency in Circ.	Demand Deposits	Time, Savings Deposits	M_2	M_2/GDP *	Currency /DD
1983 II	36.0	41.5	22.9	100.0	11.5	86.7
1985 IV	40.1	46.2	13.7	100.0	8.5	86.8
1987 IV	48.9	40.2	13.1	100.0	5.1	121.6
1989 IV	46.4	41.6	14.6	100.0	6.0	111.7
1990 IV	42.9	40.7	15.2	100.0	6.2(E)	105.4
1991 I	42.2	40.7	11.6	100.0	n.a.	103.6

* M_2 measured at mid-year, not at end of quarter.

and foreign trade (including check clearing). The ratio of broad money to GDP is only 6.2 percent, one of the most shallow financial systems in Africa, and currency (which is not available to back commercial bank lending) accounts for more than half of transactions balances (M_1) held by the public (Table 5). As a result, a relatively small expansion of the fiscal deficit will have a major impact on monetary expansion. The intermediation of savings — both temporally from short-term deposits to longer-term loans or equity, and spatially — is insufficient to achieve high rates of productive investment necessary for growth. In particular, the mobilization of small investor funds is weak compared with that of large industries with internal funds. The formal financial sector continues in crisis for reasons resulting both from its own performance and from the macroeconomic environment (including the stabilization program) over which

it has no control; the informal financial sector, while widespread, is almost wholly unknown to researchers and policy makers. The sector is undiversified, with little long-term debt or equity financing.

The lack of market depth is a serious constraint to the entire economy. Both private monopoly and that of parastatals are extensive, partially as a result of the pace of rehabilitation of the economy, but largely because of regulation and policy incentives, and existing barriers to investment. A private sector strategy must seek to reduce remaining serious barriers to market entry if it is to lead to employment and growth.

3. Narrow Export Base

The narrow export base of Uganda — coffee, tea, cotton, and tobacco (Table 6) provide seven-eighths of export revenue — is a serious constraint to fiscal policy and to growth of income and employment. These four crops (and coffee in particular) provide nearly all foreign exchange. Collapse of the International Coffee Agreement has hurt export revenues. The strong incentive for the GOU to tax these also increases the producer incentive to smuggle crops abroad. This denies the government revenue, discourages replanting of tree crop products in which Uganda has a comparative advantage, and taxes away part of this advantage. Measures to develop other industries through protection have distorted trade incentives in favor of local production and against trade. Coffee continues to be the only export commodity exchanged at the official exchange rate rather than the market rate, resulting in a heavy implicit tax on coffee production and discouraging participation by coffee producers in the official market.

Table 6: Principal Exports

	1985	1990
Value (US$ 000):		
Coffee	349,000	142,000
Tea	1,000	3,600
Cotton	14,000	5,800
Tobacco	400	2,200
TOTAL:	364,000	153,000
Share of Exports (percent):		
Coffee	40.0	80.1
Four crops:	96.0	86.1

Source: Annex Table 4b. Sums do not add to total due to rounding.

Although the GOU, including President Museveni, actively courts foreign investment, powerful barriers to this investment constrain export production as well as growth overall. Primary among these continues to be the slow progress in returning nationalized firms to the private sector. Other constraints include industrial licensing, lack of clear articulation of the role for government in market-led development, the private sector's reluctance for competition, and the lack of recourse to rule of law in contract enforcement.

Potential exporters are hampered by a lack of export information. Although the GOU is attempting to redress this, partly through the USAID-funded EPADU export workshops, little use is being made of the existing network of expatriated Ugandans scattered throughout the developed world. There is a tendency to stress distant and exigent export markets — the European Community and Middle East — to the detriment of local and simpler markets (such as the sale of maize and beans to neighboring countries), about which more information is available.

Exporters face additional problems with financial intermediation-besides those faced generally in the economy. The foreign exchange parallel market, ployment remains a market for spot or cash transactions and does not offer the fi requires facilities that exporters require. To obtain credit to finance exports licies, to through the Central Bank market, which by its complexity and adminis ction or favors large producers who are practiced in navigating it. Export g further widening and deepening of the foreign exchange market to cov exchange sources, a move that appears to be resisted by some elemer

Although some action is being taken to relax these constraints repair, powerful bars to the growth of exports, and of linkage to the growth o till only and incomes. The successful transition to growth of the Ugandan econ open measures to sensitize policy makers to the barriers raised by governmen and divert resources to the development of market infrastructure and to k of elimination of related constraints. ket- the

4. Physical Infrastructure

The basic physical infrastructure is in place although in various states o Major roads have largely been repaired. Rural roads are being repaired but s about 20 percent of rural communities are adequately served. Feeder roads to up market access to rural areas are needed. Electric power, in spite of recen planned improvements, will not meet domestic needs for at least ten years. Lac an adequate and reliable telecommunications system hampers prospects for ma reactive investment and efficient growth. In rural areas, only 30 percent of population has an adequate water supply.

5. Opportunities Presented

The constraints to market-led growth include the most obvious and the most intransigent. First, the enabling environment for private markets must be improved. This entails encouraging the GOU to continue on the path it is taking, and providing the intellectual "ammunition" to overcome domestic political resistance and the resources for policy implementation.

The opportunities for constraint alleviation lie at the macro level, the sectoral level, and in the role of Government in the market economy. Major macro-level opportunities arise with:

- Continuing reform of the exchange rate mechanism so the market rather than Central Bank administrators determining allocation of foreign exchange;

- Deepening the financial markets, particularly those for savers and those outside the Kampala-Jinja area, to provide the resources for private (particularly small- and micro-enterprise) investment and operation; and

- Reaffirming and re-instituting the rule of law in commercial transactions, beginning with a micro concern — addressing the problem of Departed Asians Property.

Sector and firm-level constraints that can be addressed by USAID based on our experience and comparative advantage include:

- Removing other impediments to market functioning: information, access, and competition, in particular;

- Privatizing parastatal companies and activities; and

- Rationalizing and aiding the private sector supply of services to agriculture and its relation to the public sector.

Finally, to address the legitimate role of Government in a market economy, and to keep it from straying from this role, we see opportunities for assisting in several areas:

- Facilitating constitutional reform;

- Drafting legislation to reduce policy impediments to the growth of private sector activity;

- Drafting legislation to reduce discrimination in application of civil laws, particularly that based on gender;

- Improving the efficiency, equity, and implicit incentive structure of the revenue collection process;

- Improving the sectoral allocation of expenditure; and

- Facilitating Civil Service reform and ancillary factors such as revitalization of local government and reducing corruption.

Together these opportunities address the major constraints to development. The approach of the donor community, in general, and A.I.D., in particular, to these constraints is analyzed in the following sections.

In summary, in setting our policy agenda we have considered a range of issues related to constraints and opportunities. Although our strategy does not foresee A.I.D. undertaking all of these, the vital issues for donor assistance — whether by us or by others — are listed below together with the respective strategic objective identified, as summarized in Section VI:

Objective		Issue
a. Macroeconomic Reform		
i)	(1)	Reforming the exchange rate
ii)	(1)	Increasing the number, types, and quality of financial institutions and instruments available to Ugandans
iii)	(1)	Increasing access to credit for small and medium enterprises
iv)	(1)	Removing marketing impediments
b. Governance		
i)	(Goal)	Modifying the role of government
ii)	(Goal)	Developing a constitution
iii)	(Goal)	Revitalizing local government
iv)	(Goal)	Limiting corruption
v)	(Goal)	Enacting legislation to reduce gender discrimination
c. Government of Uganda Budget		
i)	(All)	Balancing sectoral allocation for growth
ii)	(1-3)	Improving revenue collection
iii)	(1-3)	Implementing Civil Service reform
d. Privatization		
i)	(1)	Divesting Departed Asian property
ii)	(1)	Privatizing parastatals
iii)	(1)	Reducing policy impediments to the growth of private sector activity

e. Sectoral Policies

i)	(2)	Developing human resources, especially through primary education and economic capacity building
ii)	(3)	Improving health, especially preventive practices concerning AIDS control and family planning
iii)	(1,4)	Increasing agricultural services, i.e., the appropriate split between government and the private sector
iv)	(1,4)	Protecting and conserving natural resources and their use

Sectoral policies raise a range of issues in themselves that are discussed in Section VIII (Sectoral Policies) but not listed here. Our selection and its rationale from this series of possible interventions are articulated in Section VII.

The role of other donors is a central and integral part of the USAID strategy for addressing this range of issues. Some activities such as education we intend to initiate in order to help set direction before they are picked up by others with more resources. Others we are confident will be handled in their entirety by other donors. This role and their complementarity to the country strategy are discussed in the next section.

SECTION IV
THE ROLE FOR OTHER DONORS

Donor relationships in Uganda are strong and vital. We have sufficient confidence in their strength to trust that some important sectors or activities will be competently assisted to help achieve GOU priorities and, at the same time, complement and support our activities. This permits a fruitful division of labor, and achievement of our goals through policy and technical coordination.

Uganda has been "discovered" by the international donor community. The combination of political stability, economic stabilization, and retrogression of other recipient countries have combined to make Uganda highly attractive to donors. Reflecting this attractiveness at the May 1991 Donors Conference in Paris, over $800 million was pledged to Uganda for the coming year. Three donors have established missions in Kampala during the past year.

The largest multilateral donors to Uganda are the World Bank, International Monetary Fund, and European Community. Besides USAID, the most important bilateral donors are ODA, GTZ, and DANIDA. Four areas — infrastructure (including roads, power, telecommunications, and water), health, industry, and agriculture — account for approximately 53 percent of other donor financing. Results, particularly in rebuilding the trunk road network, have been impressive. Balance of payments support is also a high priority area of assistance. Investments in health have been modest, and those in education very small.

USAID's presence has evolved into a position of intellectual leadership in the donor community, based on (1) our presence on the ground, (2) our continuing dialogue with key elements of both the GOU and the private sector, and (3) our ability and willingness to serve as an intellectual and technical resource for both government and other donors. For example, both parties requested USAID's active participation in the Structural Adjustment Credit negotiations between the GOU and the World Bank. USAID has organized and financed two economic policy workshops with other donors and key ministers, chaired by the President, to debate, discuss, and weigh vital economic issues. Similarly, at the sector level, USAID is clearly the leader in policy dialogue concerning natural resources, AIDS, and family planning. USAID has participated directly in at least three World Bank missions over the past year.

In some sectors such as education, A.I.D. will pave the way for other donors with our projects. In others — infrastructure, in particular — our current and planned programs do not have the level of resources required by Uganda, and these sectors fall in the purview of other donors that do. However, A.I.D. will continue to play a policy role in cooperation with these donors.

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Table 7: Donor Support
Actual or Projected Funding by Sector, 1991-92 *
(US$ millions)

Sector:	Multi-laterals	Bilaterals Non-U.S.	Bilaterals A.I.D.	Bilaterals Total	NGO/ PVO **
Health	50.2	33.1	15.2	48.3	17.4
Population	13.1	-	1.1	1.1	-
Education	22.0	3.0	-	3.0	4.5
Small Enterprise	0.5	-	-	-	3.4
Natural Resources	3.7	7.4	5.9	13.3	8.4
Infrastructure	110.7	60.5	-	60.5	-
Technology/Industry	140.0	22.3	-	22.3	-
Water	65.4	24.2	-	24.2	-
BOP Support	75.0	31.9	-	31.9	-
Public Admin.	39.8	-	4.3	4.3	-
Agriculture	153.9	15.7	17.4	33.1	5.0
Social	2.5	3.0	-	3.0	16.0
Unspecified or Not Allocable	133.0	68.0	10.6	78.6	0.8
Total:	809.8	269.1	54.5	323.6	55.5

* Comparisons approximate due to differences in fiscal years and attribution of multi-year funding.
** Donor-funded NGO activities are double-counted.
Source: Annex D-1, Table 1.

Table 7 gives an overview of donor support by sector, to indicate the overall lines of donor strategies (where these exist) or interest, and their "fit" with USAID activities. If one were to develop a Program Log Frame for the entire donor-financed program in Uganda, the basic goal of sustainable improvements in the standard of living would almost certainly be retained but several new strategic objectives would be apparent. Rehabilitation of basic infrastructure (especially trunk roads), development of a non-agricultural industrial base, and deepening of the financial system would clearly be added. There would probably be a box for curative health care and university education as well. But while boxes would be added at the Strategic Objective level, there would be little if any duplication with the USAID effort.

Assuming political stability and respect for human rights, as well as continued positive economic performance by the GOU, the level of donor support seems likely to continue and probably grow. As basic infrastructure is restored, the nature of this assistance will probably shift toward relative increases in the social sectors.

Cooperation among donors is excellent although formal coordination is limited. In particular, efforts to improve the policy environment have been fruitful. The United Nations Development Programme has been relatively inactive in this role. The World Bank has done more, particularly through the structure of consultative groups. It also encourages small donors to "buy" a part of some of its programs, an approach not acceptable to USAID. However, a small resident Bank staff, a high volume of TDY analysis, and the management requirements of a large program have limited the time applied to this activity.

Donor coordination on assistance to the private sector — including NGOs — is a special challenge. With NGOs, the best approach is to work at the sector or subsector level where common development objectives exist (natural resources, AIDS, orphans, etc.). The GOU has established an NGO coordinating unit operating out of the Vice- President's Office that meets monthly and serves as a conduit for information exchange as well as deals with issues to be addressed with government. Regarding the for-profit private sector, donor coordination usually takes place at the trade organization level such as the Uganda Manufacturers Association, Federation of Uganda Employers, and exporter associations. Two limits to private sector coordination are (1) the limited number, quality, and absorptive capacity of private institutions; and (2) the constraints associated with ODA resource transfer for non-government users. USAID has established effective direct aid relationships with both NGOs and private organizations that serve as foci for coordination with other donor programs.

The GOU has recently organized sector-level coordination meetings involving line ministries and donors at the same table in the natural resource/environment sector. This approach is useful and should be further encouraged. As an example, USAID's proposed education program, while serving to prepare the sector for a larger World Bank program, also risks creating redundant in-service training systems. We must work with the Bank, and through the Ministry of Education, to avoid such duplication or waste. Many other anticipated problems of multi-donor sector approaches can be solved by similar coordination.

A more detailed description of the programs and priorities of other major donors and NGOs can be found in Annex D-1.

SECTION V
A.I.D.'S ROLE AND EXPERIENCE IN ADDRESSING UGANDAN DEVELOPMENTAL OPPORTUNITIES AND CONSTRAINTS

The history of the USAID program since 1979 parallels that of Uganda as a whole. Essentially USAID and Uganda have been progressing through a series of stages leading to real economic growth. Currently the recovery process is in its adolescence. Growth is not uniform, but, despite occasional setbacks, solid progress is being made.

In 1979 when USAID restarted activities in Uganda, the country was still in turmoil. Reflecting this state of affairs, programming emphasized relief activities. Beginning in the mid-1980s, rehabilitation activities began. Assistance was provided to import and distribute basic production tools for agriculture, to strengthen the cooperative movement, and to support agricultural research. An agriculture credit scheme was also initiated. Training activities were resumed in 1983, and the first of more than 500 Ugandans to date left for training in the United States. In 1984 health programs began with projects in private production of oral rehydration salts, MCH, and family planning.

When A.I.D. returned in 1979, the absorptive capacity of the Ugandan economy was minimal. To transfer the volume of resources necessary for rehabilitation, USAID identified conduits for resource transfer through (and for) the private sector, cooperatives, and NGOs as well as through government. As these sectors have recovered, this balance has been maintained: currently only a third of our program is implemented through the GOU. Programs have had to be monitored closely, since in this experimental phase some interventions were found to provide resources to institutions that had been corrupted by their leadership, and these had to be shut down or redesigned quickly. Others received resources beyond their capacity to implement, and corrections in budget level and management were called for. However, our program could not have achieved its successes without this willingness and ability to test the frontiers and to focus our aid only where focus leads to results.

Project implementation of all activities was suspended from summer 1985 to spring 1986 because of security disruptions. Following the NRM's assumption of power, USAID embarked on a major reorientation of current projects for near-term impact consistent with the new Government's rehabilitation priorities. In 1986, the Rural Economic Recovery Project provided tractors, farm inputs, credit, and technical assistance through the cooperatives to war-damaged areas. USAID financed the distribution of emergency medical supplies nationwide. Agricultural self-sufficiency kits and new bore holes were also provided for families returning to the Luwero Triangle. Finally, West Nile Agricultural Rehabilitation was initiated to assist resettlement of Ugandan refugees returning from Sudan and Zaire.

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By 1988, reasonable stability had been restored in most of the country. Economic activity was expanding. Even if Kampala had not completely repaired the potholes, there were at least numerous vehicles in the streets. As economic progress became apparent, longer-term recovery activities were initiated. However, this was threatened by the emerging impact of AIDS.

In 1988 four new or follow-on projects were started. The Africa Bureau's Economic Policy Reform Program (AEPRP) began with a $14 million grant to assist the private sector to increase non-traditional exports. An agricultural commodity import program (Title I) provided 7,661 tons of tallow for soap manufacture. Work with cooperatives received increased emphasis with the start of Cooperative Agriculture and Agribusiness Support (CAAS), a $20.5 million five-year rural cooperative rehabilitation and expansion activity. In the critical area of agricultural research, the Manpower For Agriculture Development (MFAD) Project was extended with additional funding for five years. Over $1.5 million was made available in 1988 to combat AIDS in order to provide funds to the GOU/WHO AIDS program; for the distribution of additional condoms; and for three new AIDS-related projects with Columbia University, the Experiment in International Living (EIL), and the private sector. By 1991 USAID funding for AIDS prevention, education, and control had increased to approximately $17 million. Several other small grants were also made, including support to a women's organization (UWESO) to equip an orphanage, and to the World Wildlife Fund and CARE for work in and around the Bwindi Impenetrable Forest. In the process, USAID/Uganda has learned much about working with and through the private sector, including NGOs, to implement our strategy.

USAID's commitment to the recovery process has paid off. In this environment of progress, negative side effects we did not anticipate included corruption within certain cooperatives, and the provision of an implicit foreign exchange subsidy to the recipient of tallow. These were detected in project evaluations and corrected, and we expect — given the experimental nature of some interventions — to monitor our activities closely to detect and correct such failures and side effects. We have also developed a healthy respect for the ability of certain segments of the private sector to seek to suppress rather than aid the development of competition.

USAID is evaluating Ugandan development from two different perspectives: from approximately 1968 when deterioration began, and from the point when the NRM assumed power. Viewed from either perspective there has been progress. Deterioration has been stopped and renewal started. Since 1986, progress has been steady and broad based, and there is widespread confidence it will continue. Having said that, one must acknowledge that most welfare and economic indicators are still well below their 1968 levels. It will still take some time before Uganda fully recovers to that point. What growth has taken place has largely been through the rehabilitation of existing capacity, not the creation of new capacity.

Since 1986, USAID has been actively monitoring Uganda's development efforts. If stability, a positive policy environment, and a reasonable capacity for implementation are present, A.I.D. will earn a return on its investment.

Stability is critical; without it economies will not perform. In the modern world, no nation has remained stable, no matter how effective its initial leadership, without a clearly defined method of transferring power. That is why the implementation of a democratic constitution is an essential step in the development process and why we are encouraged by Uganda's progress in this direction.

A supportive policy environment is similarly important. Uganda has made progress in establishing an environment that is conducive to growth. As in all countries, numerous distortions, largely political in origin, continue to exist. For example, the military's share of the budget is far beyond reasonable requirements. Parastatals are a continuing economic drain, which the GOU has been slow to rectify. Beyond political resistance to policy reform, significant elements of society are suspicious of the market mechanism as a basic organizing principle, and appear to be fighting a rear-guard action that is having a braking effect on progress in this area. Because of economic, political, and cultural constraints, USAID and the GOU have been less successful than either of us desired in addressing gender issues. Still, the overall policy trend line is positive.

While the A.I.D. program in Uganda is motivated by concerns for the well-being of the Ugandan people and their re-insertion into the society of nations, USAID does not ignore U.S. commercial interests. These are advanced, we believe, first and foremost by the growth of industry and trade in Uganda. However, the success of our strategy involves:

1. Creating an environment in which the private sector — including foreign private firms — can operate and flourish;
2. Taking pro-active steps to facilitate foreign investment (including assisting the creation of the Investment Authority, aiding in the liberalization and consolidation of the investment code, and contacting American businesses directly);
3. Assisting in image-building now that a stable political climate has been created; and
4. Bringing U.S. private sector participation into development through the Trade and Development Program, for instance, in assisting investment for a proposed ethanol plant.

An example of a USAID contribution to developing U.S. private sector contributions to Ugandan development is given in the box on the next page.

Given the severe constraints Uganda faces, its implementation performance has been impressive. Things *do* get done, albeit with a lot of extra and unnecessary effort.

USAID Assistance to Ugandan Vanilla Producers Through APDF

Six hundred smallholder farmers of both sexes are being helped by USAID and the Africa Project Development Facility (APDF) to restore vanilla production and improve its cultivation for export, with a potential for more than 3,000 additional farmers in other areas. Demonstration units have been established, and extension agents trained under the project work directly with farmers to improve cultivation practices.

Farmers intercrop the vanilla on existing land. Labor and compost are available at no additional cost. USAID provided a grant of $86,000 to provide initial extension services. An amendment to introduce community-based, part-time extension support is under consideration. APDF has provided additional services with a value of $20,000. Technical assistance began in February 1991. Surveys of vanilla-producing areas continue to identify additional male and female farmers who want and need assistance. The Ugandan processor exported one ton of vanilla in November 1990 and expects to ship two to three tons in November 1991.

Sustainable production and processing depend upon the availability of a secure market for the vanilla. Extension assistance to small-holder vanilla producers by USAID has enabled the processor to develop a supply of vanilla sufficient to enter into a marketing agreement with an American multinational spice manufacturer to buy high-quality processed Ugandan vanilla beans.

This arrangement is beneficial both to the American firm and to the farmers of Uganda. Uganda derives two major economic benefits. First, vanilla production provides a large number of rural households with added cash income and stimulates complementary economic activity throughout the marketing system. Second, vanilla exports generate foreign exchange earnings, which are expected to reach $4 million per year within ten years, if consistently high-quality production and processing are maintained. The American firm derives an additional source of high-quality vanilla, when Asian exports are declining.

The basic organizational structures are in place. What is required is competence to replace corruption as the normal work lubricant. This task is going to be very difficult because all of the impediments to development — inadequate government salaries, poorly trained personnel, limited communications, high population growth — are found in Uganda too. However, Ugandans genuinely seem to want to eliminate the climate of corruption, an important condition for effective change.

Based on what we have learned, what are the next steps?

First, agriculture is the key to the economy and will remain our area of concentration. Through agriculture, USAID can effectively address sector marketing and technical issues that will lead to a much stronger macroeconomic base through export diversification. Human resource constraints — especially in education and health — need to be addressed, to develop and diversify agriculture.

Second, USAID can work through the private sector to accomplish its goals. There are various ways of measuring working with the private sector; one is to consider the value of programs directed through or implemented directly by Ugandan private firms and NGOs. By this measure, approximately 60 percent of the 1991 USAID OYB of $59.4 million went through the private sector. We expect this to approximate a two-thirds share for the 1992-97 period.

The major steps are as follows:

A. Facilitating Capacity of the Economic Structure

The existing macroeconomic structure needs to be deepened and strengthened. In particular the financial sector needs strengthening. In addition, institutional issues, especially the incentive structure, need to be addressed. Efficiency needs to be rewarded, not rent-seeking behavior.

The experience we and other donors have had with national action plans for specific sectors has been encouraging. Because of this positive experience, we are using the National Environmental Action Plan as one key element for our efforts in natural resource management. A similar approach is anticipated in the education and health sectors.

B. Marketing

Evaluations of the ANEPP and CAAS projects, and an analysis performed by the EPADU, show that improved marketing is crucial to continued progress. The evaluation of CAAS led to restructuring the project to direct it toward more economically viable private sector projects. This process is being repeated with the Rehabilitation of Productive Enterprises (RPE) project.

To date USAID efforts have been primarily focused on export marketing of agricultural products. This will continue at both the macro and micro level, i.e., improving the basic infrastructure while assisting individual firms on specific export projects. Successful crop research has also demonstrated that domestic marketing of products ranging from milk to potatoes would benefit everyone and strengthen the overall marketing system.

C. Human Resources

Investment in human resources is critical for continued economic progress. AIDS is ravaging the productive (adult) segments of society while population growth is increasing the least productive element. Trained personnel are not being replaced as quickly as they are dying. USAID can play a unique role in determining the structure and evolution of both the education and the health systems.

The issue of overall capacity building will also be addressed through specific sectoral activities and through the Policy Analysis and Capacity Building (PACB) Project. It is not enough that individual Ugandans be trained. Individual performance needs to be made effective in a group context so that the organizations Ugandans work in and the institutions that serve them effectively contribute to Uganda's development. One principal aim of PACB is to examine these types of questions and to develop a plan for addressing them. The effort will focus on developing Ugandan analytical capacity.

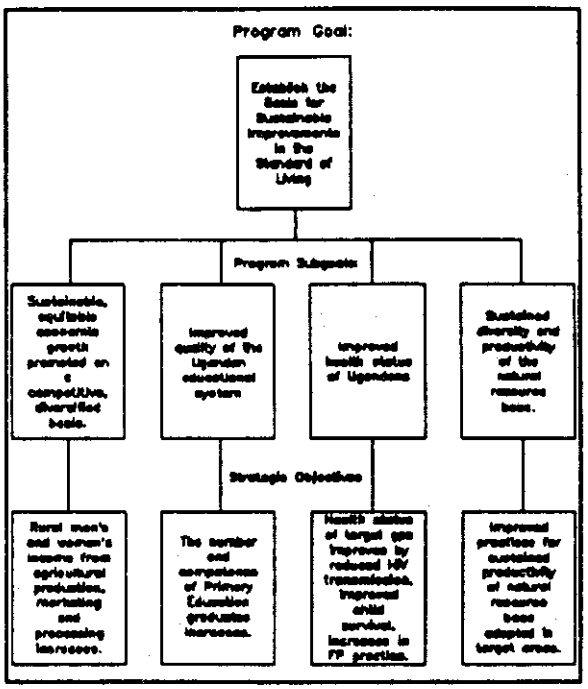
As part of the CPSP process, USAID held a series of seminars and focus groups in various areas of Uganda. Overwhelmingly these groups stated that education is the number one issue in Uganda and that AIDS is the second greatest concern. This is also a clear indication that, in addressing both education and AIDS, important ancillary benefits in terms of community organization are possible. People expressed willingness to organize and work collectively on both education and AIDS — out of hope with the former, out of terror with the latter. Family planning can also be addressed in this manner. USAID intends to build on that willingness to promote project activities in which Ugandans are both participants and beneficiaries.

D. Agricultural Research/Extension

Our research indicates that the Uganda agricultural extension service has not been an effective development tool. As such its role will be downplayed in our program. We also note that the World Bank and the European Community plan programs in this area. However, we foresee continuing some research activities, as adaptive research in specific crops has been an important factor in increasing yields. It is worth noting that until very recently virtually no new germ plasm has entered Uganda in the past 25 years. Emphasis will be on indigenous crop diseases and in developing an affordable capacity linked to the international research networks and U.S. universities.

SECTION VI
PROGRAM LOG FRAME OVERVIEW

The overall goal of this period is to establish the basis for sustainable improvements in the standard of living. Our overall program falls into two parts, productive elements of society and the social sector. Within this broader classification, USAID has four subgoals and strategic objectives. These, and their relation to our program focus, are presented in Annex A and summarized here.



Subgoal 1: sustain equitable economic growth on a competitive, diversified basis. This represents many sectors and many donors. The A.I.D. program fills a vital niche. We are the leaders in promoting agro-industry as the basis of export-led growth. The encouraging start that has been made in this area must be continued. Our **strategic objective** is: rural men and women's incomes from agricultural production, marketing, and processing increase.

Subgoal 2: improve quality of the education system. Education is the Ugandan people's highest priority; the system — and especially primary education — is breaking down and needs to be repaired if economic progress is to continue; it is an A.I.D. priority for Africa; there is a gap in assistance from other donors that USAID can and has been asked to fill; and there are specific high-quality, cost-effective interventions we can make that will make a major difference. More specifically, our **strategic objective** is: the number and competence of primary education graduates increase.

Subgoal 3: improve health status of Ugandans. Health, particularly AIDS control, is a critical constraint within Uganda. A.I.D. is the major donor in this area. Our leadership is critical to addressing the problem. **Strategic objective 3** is: health status of target groups improves by reduction in the HIV transmission rate, and by improvements in child survival and in couples practicing family planning.

Subgoal 4: sustain diversity and productivity of the natural resource base. This is a new area of major program concentration, but it builds upon local successes we have had over the past five years. While several other donors are involved, USAID will fill a critical role in providing overall intellectual leadership and in filling vital niches in the overall process. Included in these are creation and improvement of national

parks, community-based income-generating activities, and promotion of eco-tourism. The **strategic objective** is improved practices for sustained productivity of natural resource base adopted in target areas.

In addition to those four subgoals and strategic objectives, USAID will be making a contribution to two other major GOU program areas: democratization and national recovery. We are not providing high levels of assistance in these sectors for reasons related to our program focus.

Promotion of democratization is not listed as a subgoal because we propose no major programs in the area. However, it is a critical area for economic growth because it promotes stability and improved governance. A specific USAID program is democratization is not required at this time. The RC system promotes grassroots democracy but lacks constitutional underpinning. Other donors — Britain and Denmark — are providing significant support to the process of constitutional reform. The USG is making a contribution to the constitutional dialogue by providing both technical assistance and training. USAID has been following the process closely.

Indirectly, through our basic program and particularly private voluntary organization (PVO) activities, USAID is developing basic democratic institutions. Our activities — involving local community participation in natural resource conservation and in education, and developing articulate analytically driven private sector lobby groups — support the underpinnings of a democratic process. Although we may respond more directly to limited, selected opportunities when they arise, this is not a central part of our program.

We are confident that Uganda will find a democratic formula that provides for representative constitutional government and protects basic human rights, including those of women. In a society where a large population bloc has voted with its feet in response to non-representative government, doing so is critical to economic growth. This is why we are recommending it as a major condition for the growth of the USAID program. Our steps for implementation are explained in Section VII.

National recovery is a major GOU program that covers a range of activities in various sectors. Because of U.S. humanitarian concern and its importance to Ugandan recovery, USAID will continue to fund programs to care for orphans and orthopedic patients.

These subgoals were selected on the basis of their importance to the Ugandan economy, A.I.D. global interest in the sector, and GOU requests. All subgoals were examined closely to ensure that they meet these criteria.[4] They do.

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[4]The reader is referred to the sector overviews and appropriate annexes for a full examination of the selection process.

The indicators to measure progress in these areas were selected after review of both the reliability of the indicators as a measurement and the feasibility of applying them. A brief explanation of the process may prove useful.

Sustainable improvement in the standard of living is measured by three proxies: growth in GNP, decline in infant and child mortality, and decline in inflation rates. These are indirect indicators, but we believe they give a reasonable demonstration of progress. USAID also is actively working on a program to measure incomes through existing data sources such as the Household Expenditure Survey and by using EPADU to focus on specific target groups.

The education indicators are preliminary and will not be in final form until the program design process is completed. It is anticipated that a mechanism for establishing both a baseline and annual assessments of student academic achievement levels will be established.

Measuring progress in the health area is more difficult, particularly in terms of AIDS. The objective of the AIDS program is to contain spread of the disease. We believe this is possible but recognize that, due to time lags, a measurable decrease in the death rate is impossible within five years. The subgoal indicator, expenditure on primary health care, is an indicator of effort, but is the most feasible proxy for an output measure. The target indicators showing progress on policy and organization will measure the efficiency of the effort, while measurement of condom use, reports of behavior change, and treatment of sexually transmitted diseases (STDs) are indicative of progress in controlling HIV transmission. We are working through our project activities to measure transmission directly.

A reasonably reliable data base exists to measure the subgoal of equitable economic growth. The target indicators also are ones for which a mechanism, such as EPADU, is specifically committed to accomplishing the task.

The subgoal for natural resources is specific and readily measurable. Similarly the targets are concrete and have readily available data sources.

The reader is referred to Annex A for the complete Program Log Frame, including quantitative indicators.

SECTION VII
PLANS FOR IMPLEMENTATION

A. Overview

The proposed program in this document is both risky and challenging. However, the risks are well calculated, based on a careful assessment of Ugandan capacity to implement a major developmental program. The capacity exists, as does the willingness to use it. Thus we feel confident in accepting the challenge.

The program we are proposing is limited to four areas: policy reform, agriculture/natural resources, health, and education. Within these spheres of concentration, we are focusing on specific subsets, that is, exchange rate reform, agricultural marketing, AIDS, MCH/CS, and primary education. These areas were selected based on the needs of Uganda, A.I.D.'s legislative mandate, and the skills available to or readily obtainable by USAID. Some targets of opportunity — largely legislatively mandated humanitarian concerns -- will be undertaken, but these efforts will be limited in scope and almost exclusively confined to the private sector. They will not be a heavy additional burden to the Mission.

In FY 1991 approximately 60 percent of the USAID program was implemented through or directly benefitted the Ugandan private sector. It is anticipated that this ratio of two-thirds private sector, one-third public will continue. NPA will represent approximately half of the total program. The majority of this amount will go to support unification of the exchange rate. The labor demands of this element of the program will be met by the existing economics and agriculture division staffs, by the EPADU and PACB project components, and by hiring of outside analytical expertise for specific tasks. The only entirely new area proposed in primary education. This is currently managed by a PSC. Given the anticipated interventions, it may well be possible to continue this mode of implementation. We are proposing an increase in AIDS programming. This will be done only as rapidly as staff capacity allows.

USAID recognizes the difficult task we have set ourselves. We also recognize that unforeseen difficulties will occur, making our task even more challenging. Further, we do not anticipate more than 15 USDH, 3 PASA, 9 U.S. PSCs including spouses, 7 TCNs, and 110 FSNs being available to implement the program. However, we believe the level of Ugandan capacity and commitment exceeds the level of the obstacles. We have also carefully established check points limiting A.I.D.'s exposure if Ugandan commitment should waver. Thus we feel confident committing ourselves to achieving the objectives described in this paper. The rest of this section outlines how we propose to do it.

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B. Implementation Priorities

This CPSP is based on the assumption that Uganda will meet the conditions for high option funding and that A.I.D. will provide funding. It covers three years, at which time success or failure will have sufficiently changed conditions so that a revision will be necessary. Under these assumptions USAID will be finishing up some existing projects, continuing others through the five-year period, and designing new activities to exploit developing opportunities.

The development and implementation of a Ugandan formula for representative government that regularly, constitutionally, and peacefully transfers power at all levels will be encouraged. Governance is a critical element in achieving real growth in Uganda. The current government has performed well over the past three years, but Uganda clearly needs to codify and legalize the structure of government. The precise formula, other than allowing full democratic participation by all elements of society, is relatively unimportant. Finding and implementing a formula are essential. If Uganda does this, it will clearly show the Ugandan people and the international community that the road to real growth is open.

USAID has concluded that our assistance is not required, nor would it be productive, other than stressing its importance to Uganda's development and our willingness to provide limited technical assistance and financial support for its efforts. Failure to approve and implement a democratic constitution within three years would have a negative impact on the ability of the private economy to grow and contribute to the well- being of Ugandans at all levels of society. This would negatively affect the impact on A.I.D. funding. Poor performance would call for fewer A.I.D. resources. In contrast, success would increase absorptive capacity and should be generously supported.

Developing a detailed plan for implementing our program is beyond the scope of this document. However, we list below the 12 related principles that will guide us in implementation.

First, the restoration and improvement in functioning of market mechanisms in most aspects of the Ugandan economy will be an overriding concern of our program. The Mission will focus on improving agricultural marketing, and the private sector's role in the market chain.

Second, the agriculture sector — including natural resources — will remain a central focus of the Mission program. The goal is to increase the income of those creating value added in the chain of production and marketing of agricultural products. In the first instance, this means increasing profitability by increasing production, decreasing costs, and improving marketing. Building on the success we have achieved over the past three years, current activities in marketing, research, and economic liberalization will be continued and expanded. Improved marketing will be

emphasized. Important elements in our agriculture sector program will be (1) researching the importance of gender differences in agriculture and (2) increasing resources to women to increase productivity and reduce constraints to benefits.

Third, Our key tactic is maintaining focus and a level of activity consistent with mission management capabilities. One key way to do this is successful completion of our existing projects, on schedule and on target. Uganda is still recovering. This phase must be successfully completed for real growth to take place. Thus achieving the objectives of the RPE, CAAS, and MFAD projects is vital. We do not plan on extending these projects beyond their current PACDs, but a major effort (including redesign) is being made to ensure they successfully reach their objectives.

Fourth, all projects are to take steps to reduce barriers to participation by women. All projects are to take into account gender issues, and project reporting will be on a gender-disaggregated basis.

Fifth, the AIDS prevention and control program will be expanded. AIDS must be aggressively attacked for health, economic, and political reasons. The health reasons are obvious: the death rate is staggering and the pressure on the overall health care system is overwhelming. Those killed by AIDS are primarily among Uganda's most productive citizens. These deaths create a significant economic constraint to recovery, productivity, and growth. To maintain political stability and avoid excessive stress on Uganda's social institutions, AIDS must be effectively dealt with. In conjunction with the AIDS control program, the quality of family planning interventions will be improved.

Sixth, a new primary education program will be developed. A viable primary education program is essential to a successful economy. The aim is a fundamental restructuring of the primary education system to improve its quality and relevance. The education program will be a time-limited effort that will distribute improved instructional materials, reorient testing, upgrade teaching techniques, and improve teachers' living standards while the World Bank develops a major ($ 100 million) education program now scheduled for 1993. The project will explicitly address constraints to reducing disparities between levels of education among girls and boys. This is the only new area we are proposing for 1992, and it is essential to overall development.

Seventh, a basic real time data-collection and -analysis system will be established, as timely information about Uganda and its rapidly changing economy is essential to implementing an effective program. The EPADU has made an excellent start in this direction. It is being strengthened. The Policy Analysis and Capacity Building Project (PACB) will expand the scope of the network, especially into the private and social sectors. The Mission evaluation program will be significantly strengthened by the addition of a second Program Economist and a General

Development Officer. Further, the evaluation component of the health and education programs will be significantly beefed up.

Eighth, ability to respond to the rapid changes occurring in some key sectors will be essential for effective assistance. Some grants and contracts — such as in AIDS prevention activities — will be kept deliberately short to facilitate timely termination of ineffective activities and rapid extension or redesign of more promising endeavors.

Ninth, significant resources will be utilized in designing a program to support real growth which would begin to come on stream in FY 93. Over the next three to five years, Uganda should have successfully completed the transition between recovery and real growth. As this occurs, our program strategy, which lays the groundwork for broad growth, will be increasingly obsolete. We must be ready to respond in a measured way based on Ugandan accomplishments.

Tenth, donor coordination is essential, and will be central to achieving our goals with our limited financial and human resources.

Eleventh, USAID/Uganda intends to cooperate with A.I.D./Washington in exploring alternative delivery modes for components of our program, to serve as a catalyst for the creation of mutually beneficial linkages between associations or others in Uganda and elsewhere.

Twelfth, prudent, long-term growth will be our aim. Long-term growth of 5-7 percent is preferable to a short-term crash effort to achieve larger gains that may not be sustainable for the rest of the decade.

1. Policy Agenda

Uganda has made significant progress over the past five years by adopting sensible economic and fiscal policies. Implementation of a few high impact changes has been more successful than pursuing a wider agenda.

The USAID policy agenda will be similarly limited during the CPSP period. We propose limiting the agenda to fewer than five high impact and obtainable objectives. Funding levels would be tied to attainment of these objectives.

Policy is a process, not a discrete action or series of actions. The purpose of policy reform is to reinforce the tendency, when an unexpected "shock" hits the system (such as the price of an important export commodity changing significantly, or an entrepreneur desiring to market a hitherto-unheard-of product or service) — that all concerned parties — from the policy-maker to the clerk who implements that policy — reflect its intent. While A.I.D. has a comparative advantage over other donors by our presence on the ground on a day-to-day basis, that advantage lies in the

educational value of "learning policy-making by doing" through the assistance we can offer competent Ugandan policy makers and their potential successors. While our presence could also assist in ensuring the implementation of a one-time "policy matrix," this is inappropriate except for determining the general parameters of policy. Progress on these general parameters is reflected in our policy agenda, which is given below. Progress on addressing specific constraints is approached as a process, so that relevant Ugandans understand our concerns and are able to voice theirs in the policy discussions leading to laws, regulations, and interventions.

From the list of constraints and opportunities in Section III, we have selected a limited number of issues for concentration. They are cross-cutting and have a multi-sector impact. Most of them are of major interest to several donors; our concern is how to address these issues most effectively in a bilateral context. Uganda, like the United States, faces political constraints that make total rationality an illusion. Also like the United States, Uganda has a limited institutional capacity for making policy changes. Thus the fundamental questions are: what changes can be made that will make a significant impact, and how do we support those changes?

USAID has two major mechanisms: macroeconomic support, through NPA programs such as ANEPP and PL 480 Title III, and project activities such as APE and PACB. Both mechanisms have been effective. Both will be used during the CPSP period. At this point we will examine each of the five specific policy areas; sectoral policies, and linkages between sectoral policy and our targets and objectives, are addressed in Section VIII.

2. Macroeconomic Reform

Improvement in financial sector performance is essential to continued economic growth and is a major concern to us and most other large donors. To date, USAID has emphasized the reform of the exchange rate regime and related policies. In 1990 the GOU officially sanctioned the functioning of a parallel market, while the official rate is still administratively determined. In establishing this parallel structure, the GOU committed itself to bringing the two rates into conformity. Significant progress has been made in that direction. On August 1, the official rate was only 17 percent below the market rate. The two rates are scheduled to merge by the end of CY 1991.

The existence of the foreign exchange bureaus and the merging of the two rates have considerable opposition. Many Ugandans, including powerful elements of the Ministry of Finance and the Parliament, do not trust the market to allocate foreign exchange to worthwhile uses. Several articles in local newspapers, including a lengthy interview with a powerful member of Parliament, indicate a significant counterattack.

Thus while reform of the exchange rate regime is an "old" item on the policy agenda, it is not yet an accomplished act. Achieving this reform is a vital first step to establishing a market-driven economy. That is why this essential reform remains first

on our list and why we want to commit the largest element of A.I.D. resources to achieving it.

Financial intermediation is weak as Uganda recovers from hyperinflation, with a widespread informal sector unable to transform savings across time or space to increase productive investment. The formal financial sector appears unable to assist in savings mobilization.

Access to credit for small and medium enterprises has been pursued by USAID for several years with some success. However, under current conditions the demand for additional credit is weak and financial discipline, that is, repayment rates, is well below acceptable levels. The World Bank is planning a major program in this area for 1993. Thus while improved implementation of existing activities will be pursued, we do not anticipate further expansion of USAID-financed credit programs.

3. Governance

Governance is a vital and evolving question in Uganda. Five years of NRM competence in local participatory government are beginning to give the Ugandan people and the donor community confidence that a positive future is possible. However, much remains to be done. Chief among the questions concerning governance in Uganda is the proper role of government. A lively, widespread, and seemingly democratic debate is taking place on this question, focused on the drafting of a new constitution. A range of formulas are being proposed. Most would seem to meet basic requirements for popular representation, judicial soundness, and executive effectiveness. Specific guarantees for some women's rights seem likely. Whatever formula or combination of formulas is chosen, what is critical is that reasonably quickly a democratic constitution be adopted and work begin on its implementation. This is an essential first step to developing effective sustainable government. Later, other questions concerning the role of government in the economy, local government, and regulatory functions can be addressed in greater detail.

This is why the constitutional issue is of major concern to USAID. Successful resolution is essential to developing sustainable effective government. The current administration has committed itself to implementing a democratic constitution. We are confident that the formula Ugandans choose will be a workable one. Therefore, we believe our support to the process need only be indirect, such as some assistance on study tours if this is desired, and perhaps limited technical assistance on technical drafting questions. We will continue to provide strong encouragement that the constitution be drafted and implementation be initiated promptly. We will also include in our policy dialogue concern that legislation discriminatory to women not be permitted by the new Constitution. Completion of the initial process should be a major condition of financial assistance. Without a working constitution, there will not be a conducive climate for major investments in Uganda by ourselves, other donors, or the private sector.

4. Government of Uganda Budget

There are a number of related issues concerning the GOU budget. Revenues, currently 6 percent of GDP, are totally inadequate for even minimal government and will continue so even if the new Revenue Authority doubles or triples receipts as planned and hoped. Sectoral allocations are badly skewed. For example, the military claims 40-50 percent of the recurrent budget, education only 13 percent. Government salaries are extraordinarily low, making corruption inevitable (from necessity rather than venality) and efficiency impossible because of absenteeism and rent-seeking. The questions are: where to start and what will work?

To date, USAID emphasis in this area has been at the sectoral level, whereas the World Bank has taken on the macro questions. This is still a reasonable division of labor, although we engage in a close dialogue and take strong positions on macroeconomic issues.

Immediate remedies are not possible. Even assuming a tripling of revenue over the next three years, a cap on military expenditure at 1991 nominal levels and a 20 percent reduction in government employees, revenues will still be inadequate to revitalize the education and health systems and provide adequate salaries to government workers. Also potential GOU actions to freeze military spending may not be possible because of the political cost to the current regime. A cut is out. An indirect approach to the military budget (eliminating barter arrangements and getting the military out of coffee marketing) could be helpful.

For USAID's part, at the sectoral level, a condition for the education assistance program will be that government increase its allocation to the primary education development budget by 30 percent the first year and 150 percent by the final disbursement. Studies during the development of the education PAAD will explore use of private, that is, family, funds in financing primary education. We have explored privatization of the management and authority of the educational system and conclude that this is neither feasible nor desirable. Education is already financed by the private sector.

5. Privatization

Within Uganda there is substantial official rhetoric in support of privatization. Now rhetoric must be translated into action. Several things have already happened. An investment code has been enacted. Private businesses have much better access to foreign exchange and regulatory restrictions on credit have been decreased. However, much remains to be done.

The chief privatization issues facing Uganda are (1) equitable settlement of the departed Asian property issue, (2) divestment of parastatals, and (3) continued reduction of implementation impediments to private enterprise activities. Even though

these have important political implications, the Asian property issue is both the most resolvable and the most important as a visible symbol of GOU attitudes to foreign investment and the rule of law. By and large, parastatals are not economically viable. Of those that are, significant political issues are involved in divestiture. Something needs to be done to break the logjam. Equitable resolution of the Asian property question will do that. It will establish that the GOU is committed to fair treatment of private investors even at some cost to the personal profits of many of its most prominent citizens. A USAID contractor working with the Departed Asian Property Custodian Board has assisted the GOU in identifying the basic issues and in developing strategies to deal with them. Now is the time for action. A polite push is one way of encouraging it.

Private sector analytical skills are generally weak, an important constraint to building upon the flourishing entrepreneurial activity. USAID will provide assistance through PACB to major private organizations, such as the Uganda Manufacturers Association (UMA), to improve the analytical content of its lobbying and policy discussions. The UMA will on its own be able to undertake policy analysis on critical issues that facing the private sector in Uganda.

Policy includes implementation. In the event Option 3 is selected, this policy assistance will be backed by a minimum of two-thirds of our budget being implemented by or for the direct benefit of the Ugandan private sector (including NGOs).

6. Sectoral Policies

While less cross-cutting in their impact, the sectoral issues we are dealing with — human resources, health care, agricultural services, and natural resources — are similar in importance to the macroeconomic concern. Our approach to dealing with these issues concentrates on the activity level. For example, in natural resources the conditionality for USAID assistance through the Action Plan for the Environment (APE) program was that the level of protection in parks and forests be upgraded in specific areas. In 1991 the GOU gazetted three new national parks. A similar approach will be taken in the budget for the primary education program. A major issue to be addressed in the project design will be policies that constrain educational opportunities for girls. In the areas of health and agriculture, we are encouraging the GOU to adopt a position of benign neglect that permits a reasonably free role in provision of services by the part of the private sector. To a significant degree this is happening.

Our aim is to identify vital policy issues we can assist in resolving. Such efforts will be based on continuing substantial consultation with all levels of Ugandan society.

The critical conditions determining the USAID policy agenda over the next three years will be:

(1) **Implementation of a market-based foreign exchange system;**

(2) **Substantial progress on settling the Departed Asians Property question** (at least 50 percent of the properties to be disposed of);

(3) **Implementation of a democratic constitution**; and

(4) **Allocation to primary education becomes: not less than 6 percent of the National Budget**. This represents a 100 percent increase.

This is to be done on a phased basis: Year One the exchange rate, Year Two the Asian property question, Year Three the constitution. An increase in the budget allocation for education will be a CP for the primary education program. In discussions the GOU has agreed to these conditions as well as to making a major effort toward their implementation.

C. Resources

USAID and other donors have generously supported Uganda and its current administration, and encouraging progress has been made over the past five years. It is our contention that major investments will continue to yield significant returns, but Uganda must reinforce the positive steps it has taken. The framework that has been established must now be completed. If this happens, expanded support will be justified; if not, the resources can and should be invested elsewhere.

1. Program Levels

The three basic options are outlined below.

Option 1: Cut Back: $10 to $20 million

Circumstances: There is political and policy retrogression — that is, government does not meet its commitments to support existing activities, the exchange rate gap increases, human rights violations increase, and a democratic constitution is not adopted. The amount of the cut-back will be determined in large part by the degree of retrogression. A precisely defined equation is not possible, but we note that our highest priorities are (1) continued support to existing activities, (2) financial sector reform including privatization and (3) democratization.

Program: The core program would focus on basic human needs and training. Ongoing projects continue but, with the exception of AIDS, are not replaced. NPA — particularly at the sectoral level — is not undertaken. Training activities continue. Without policy reversal, most of the A.I.D. program phases itself out as a result of inability to achieve impact.

Option 2: Hold Steady: $40 to $60 million

Circumstances: Recovery continues but at a limited pace and without some of the policy reforms identified as key under Option 3. Implementation of reforms may lack vigor. Instead of a phased transition to a market system, for example, government retains administrative allocation of most or all foreign exchange but continues near a market rate. Or, a democratic constitution is approved but

strategic objective, at an indicative OYB of $100 million consisting of $90 million DA and $10 million PL 480.

Table 8: Projected Obligations High Option ($ 000)

	Strategic Objective	FY92	FY93	FY94	FY95	FY96	FY97
Agriculture	(1)	5,000	18,088	10,000	10,000	10,000	10,000
Policy Reform *	(1)	60,000	60,000	60,000	60,000	60,000	60,000
Population Planning	(3)	1,850	400	1,000	1,000	1,000	1,000
Health/Child Survival	(3)	5,337	-	4,000	4,000	4,000	4,000
AIDS	(3)	3,000	500	10,000	10,000	10,000	10,000
Education/Human Resources	(2)	13,588	10,412	10,000	10,000	6,000	-
Natural Resources/ Environment	(4)	11,225	10,600	5,000	5,000	5,000	5,000
TOTAL		100,000	100,000	100,000	100,000	100,000	100,000

* Includes $10 million per year in PL 480 resources which will combine BOP support to the private sector with sectoral policy reform.

The structure of the Option 3 program will remain similar to that of the existing portfolio. Agriculture — with an emphasis on export diversification — will remain our primary sector, but we will look at it broadly so that opportunities for growth in the economy as a whole, based on agribusiness and Uganda's natural resources, are rapidly exploited. Because education is in crisis, USAID will initiate a primary education program, our part of which is intended to be time-limited in the expectation that other donors' plans for follow-on activities will come to fruition. Health programs — especially in AIDS and family planning — will expand.

This is the outcome not of heroic action but of competent, limited government. The GOU should understand our intent and our good faith. Our requests should be limited, realistic, and achievable. Policy changes should be through mutual agreement about their benefit, not through leverage that could be counterproductive. ' Policy changes should be achievable and have a perceivable positive impact. Demands on GOU political capital should be limited and consistent with potential gain. We need to respect and enhance the legitimate regulatory functions of government, such as licensing, law enforcement, and enforcement of contracts. Equally, we should encourage the GOU to eliminate restrictions on private sector activity, not just at the policy-maker level but at that of the clerks behind the desks who must understand and implement these policies.

2. Local Currency Programming

NPA will continue to generate significant amounts of Uganda shillings. Assuming that Uganda performs according to the high-level option, $50 to $60 million of the program will be NPA. Of this amount, roughly a fifth will generate local currency.

Local currency poses a dilemma. The expenditure of local currency competes for limited real resources. When this competition is indiscriminately dampened by the Central Bank's attempts to bring down inflation, all parties lose, including the rural private households and enterprises deprived of access to real resources in the bidding contest with government, other private sectors, and donors. Donors, ourselves foremost, *must* develop a clear strategy for local currency use that justifies the high cost in private resources foregone when we force the Central Bank to create even small amounts of local currency against our high level of foreign exchange resources. This is a concern that is particularly relevant when we choose to substitute our resources for the inadequate ability of the government to impose an appropriate user-related structure. These users may be direct beneficiaries, in which case the system is effectively private. More commonly, society taxes the commonwealth, whether local or national, according to a broad concept of relating tax incidence to societal benefits. When a donor provides this local currency funding, it is inflationary, and the Central Bank's obligatory response imposes a tax with a much less clear incidence. If the use of local currency is highly productive (or lowers production costs), increased output will absorb the extra money and there is only a one-round increase in prices rather than an inflationary process, but at whatever rate, the Central Bank is compelled to squeeze purchasing power out of the system.

Our strategy for use of these shillings is as follows:

a. Sectoral support for specific GOU activities — 50 percent

This strategy would initially be to continue support to developing necessary rural feeder roads, coupled with policy change to contract implementation to the Ugandan private sector. If over the CPSP period, this goal is accomplished by ourselves or other donors, we anticipate shifting support to other local government initiatives. The shillings would be on-budget and programmed directly through the appropriate line ministry. The purpose of sectoral support is to bring into better balance critical development budget needs while efforts are being made to reduce the budget share claimed by military expenditures.

b. Project support — 30 percent

The majority of our projects have significant local cost requirements. Shillings generated by NPA are the most economical way to meet this requirement. Priority in their use will go to (1) agriculture and natural resource activities, (2) primary

education, and (3) AIDS control. The majority of these monies will contribute to line ministry budgets in our priority policy areas to ensure their implementation.

c. Small program support — 10 percent

Ugandan PVOs are effectively implementing a range of small scale or local activities. The demand for this type of support has been consistently high, and many requests both have merit and cost little to A.I.D.. With the return of Peace Corps to Uganda this demand may grow. USAID plans to continue providing modest support in this area.

d. Operating expense trust fund — 10 percent

We recognize that the continuation of such trust funds is not currently planned due to OMB restrictions. USAID believes this decision is reversible. Thus, we are projecting 10 percent of local currency generations for this purpose. The needs are clear, as are the benefits. Internal budgetary discipline at USAID is maintained. However, certain political capital is wasted both in Uganda and in the United States with those who cannot — or will not — understand the relation between balance of payments support and expenditure of local currency.

With a trust fund, stress on the OE budget and overall support cost is cut at no additional cost to the U.S. taxpayer. Thus we urge the Africa Bureau to press for continuation of an OE trust fund within the region.

D. Recommendations

By its own actions, the GOU will determine Ugandan capacity to absorb additional donor resources productively, and so itself will choose the option. If the GOU actions are positive, we urge A.I.D./Washington to support continued expansion of the A.I.D.-financed program. If there is recalcitrance — or worse, relapse — even existing resources may not contribute to adjustment and growth, so program cutbacks would be in order.

Under Option 3, the structure of the program will remain similar to the existing portfolio. Agriculture, the source of both livelihood and comparative advantage for most Ugandans, will remain our primary sector, but we will look at it broadly to include export development so that opportunities for growth in the economy as a whole, based on agribusiness and Uganda's natural resources, are rapidly exploited. Health programs, especially in AIDS, will expand. USAID will move to assist in the education crisis by developing a primary education program.

A brief description of recommendations for each program area follows:

1. Nurturing an Environment for Growth

The structure of USAID's economic program will emerge according to the pattern of program successes as the economy continues to evolve. These programs will be extended into developing and strengthening marketing and financial institutions, which are the underpinning of private sector activity and access to productive assets for the poor and near-poor.

The Rehabilitation of Productive Enterprises Project will continue to mature from direct assistance (USAID procurement regulations, which were an early constraint to project implementation, have been eliminated) to sector support of changes in policies that augment incentives to production and employment. The Agricultural Non-traditional Export Promotion program will support this, with continued assistance to exporters and policy studies designed to identify and correct the constraints to productive exports. The NPA portion of this program will continue to serve as the primary entry point for policy dialogue to improve the environment further for export led growth. A new project, Policy Analysis and Capacity Building, will continue these policy studies and extend them into related areas, while building the consulting capability of Ugandan professionals. We expect a follow-on activity to the policy research element of these projects, and believe that the underlying macroeconomic situation continues to call for the balance-of-payments support offered by these programs.

Cooperative Agriculture and Agribusiness Support continues to assist the development of agricultural production and marketing, in accordance with Ugandan comparative advantage. Although cooperatives were considered to be an important non-government vehicle for USAID intervention in the early days of economic rehabilitation and low absorptive capacity elsewhere, problems of governance that have arisen in the cooperative movement suggest that further work in agribusiness and in credit may be more effective with well-run individual institutions. USAID's emphasis is moving away from institutional support of the cooperative movement *per se*. Cooperative credit unions, which have been assisted under CAAS, may still provide a vehicle for reform of the financial system.

Liberalization of foreign exchange and financial markets continues to be important for the success of any other assistance to productive sectors of the economy. Much depends upon the convergence of the market and official exchange rates (as agreed in the PFP for December 1991).

The financial sector is in a precarious position. Major parastatal banks are insolvent, and much of the appearance of healthy ratios in the private sector is due to revaluation of buildings rather than to liquid contingency reserves in the face of a bad portfolio. The GOU has reduced inflation greatly, although it still has far to go.

It is also having success in reducing the crowding out of private borrowers by the government. Recent interest rate policy has held both loan and deposit rates positive in real terms, to be rewarded with strong inflows of assets into the financial system.

USAID intends to roll up its directed credit programs for which there does not appear to be a great demand, given the more severe problems in production and marketing facing farmers in particular. USAID will use these funds to develop instruments that would facilitate the development of money markets and reforms.

Option 3 would allow us to take a more pro-active stance. We believe the time is ripe for assistance in deepening the financial system. Although our proposed program does not contain a financial sector element, Option 3 could provide the additional resources to undertake savings mobilization and financial services to rural residents, and to the poor and near-poor; development of the informal financial sector; and revitalization of certain cooperative credit unions, possibly through the restructuring of money-losing bank branches of formal sector banks into rural depositor-oriented financial institutions. Outside this core strategy, there is potential for a series of minor interventions to complement the World Bank's assistance to the Central Bank and formal institutions. USAID's overall strategy in the financial sector would complement the assistance being given the formal banking sector by the World Bank under its planned Financial Sector Adjustment Credit, and would build on the expertise of USAID worldwide in providing assistance to micro- and small-scale enterprises. For further discussion see Annex C-5.

2. Agriculture Sector

Agriculture will remain the sector of concentration, with a broad-based program in the following areas:

Marketing: Our primary focus is on activities to promote domestic and international trade. Efforts will be expanded to get market prices to serve as an information source for producers, exporters, and consumers. Quality, standards, databases, market intelligence, handling and storage, processing, and infrastructure are all elements of the market system. A constraint analysis will be carried out to determine the most pressing requirements to improve the market system. The role of other donors is essential to achieve these elements while retaining our own focus. In place of the three agricultural projects phasing out (RPE, CAAS, and MFAD), we expect to initiate a single project that may involve NPA to address the areas identified as most critical to improved functioning of the market system.

Institution Building: To support the development of trade, we will give prominence to the development of private sector entrepreneurial and analytical skills using the major trade associations. The emphasis will be on building capabilities that are appropriate to Ugandan needs and are affordable by the GOU. Agricultural policy development will receive special attention. USAID will de-emphasize public sector

agricultural extension, which is low on the list of priorities for improving agricultural production.

Natural Resources: The emphasis will be on developing sustainable, profitable use of the natural resource base. Preparation of a National Environmental Action Plan and strengthening the overall resource planning capability will be given high priority. NGO natural resource activities will be funded. Eco-tourism will be encouraged as a source of local income and employment linked to preservation of natural resources. The ultimate aim of our strategy in this subsector is to develop a profitable relationship between the rural population and conservation practices that permit sustainable use of Uganda's natural resources.

3. Health Sector

AIDS: Activity in this sector is vital. AIDS must be brought under control for there to be sustainable economic growth. Thus, the sectoral emphasis will be on a careful expansion of an aggressive control campaign. Research into sexual motivation and behavior will be expanded. A range of AIDS-prevention activities, implemented largely by NGOs, will be funded. The major implementing principle will be to support a variety of activities with a reasonable chance of success, monitor them closely, rapidly reinforce those that prove effective, and eliminate the rest.

Family Planning: Family planning support will stress removing the policy impediments to effective family planning programs and expanding contraceptive use. Over the CPSP period, we do not anticipate making a measurable impact in reducing fertility, especially as long as the death rate from AIDS remains high. We do, however, believe that the stage can be set for a significant expansion in family planning activities when conditions are more favorable.

We anticipate using modest levels of resources to continue to support orphans, prosthesis, and MCH activities. While commendable, this is not an integral part of our strategy.

4. Education Sector

In political terms, education is Uganda's most important sector. Parents place faith in the ability of education to produce a better life for their children. They also believe the government should provide education. No democratic government can long ignore these sentiments.

In education, the decline of Uganda is most evident. Makerere University, which in the 1960s received international recognition, has declined so much it is no longer accredited. The primary education system, which once produced significant numbers of competent graduates, now teaches to passing the Primary Leaving Examination only. Changes need to be made.

USAID will finance a range of activities, but concentrate on rehabilitation of primary education. This will include a program to prepare the way for — and establish important guidelines for — a World Bank-supported educational reform currently under development.

To reform primary education and make it responsive to current Ugandan needs, we propose a simple but effective three-point program for nationwide implementation that is designed to improve quality and relevance of the system:

- One, increase textbook purchases and distribution so that the existing high quality books that do exist are universally available.

- Two, train teachers to teach problem-solving skills in order to use the books effectively. Simultaneously, reform the examination system to measure this skill.

- Three, sponsor measures to improve the living standards of qualified and effective teachers.

We will continue to support the Makerere Agriculture Faculty. We will also take advantage of centrally funded support to universities to establish and nurture long-term linkages with U.S. institutions. However, we will not emphasize post-secondary education, given the extraordinary needs in Uganda of younger cohorts and our need for program focus. ATLAS will be the main vehicle of support for specialized training.

E. Management Considerations

1. Institutionalizing Consideration of Gender Issues in Mission Program

Several steps will be taken to institutionalize the process of more fully integrating consideration of gender issues into USAID systems and procedures:

a. A Mission Order will be written providing guidelines to staff on how gender issues should be addressed within programs and projects. The Mission Order will require: (1) disaggregation of data in all Mission documents to describe barriers/constraints to incorporating women, as disaggregation by gender of information on Project Implementation Reports; and (2) targets for women in training on all new projects/programs.

b. Training in gender considerations in development for Mission staff. The first such training took place in May 1991; the second program, which will take place early in 1992, will be Mission-wide and will include Mission staff, selected contractors, and Ugandan counterparts. Subsequent training, planned throughout the CPSP period, will be sector and project specific.

c. The inclusion of gender specialists on new project designs and evaluations. Ideal persons will be sector specialists who also have experience in gender issues; however, when such specialists cannot be found, a gender specialist will be added to the team.

2. Monitoring, Reporting, and Evaluation

Within USAID, we intend to develop a single unified system serving the planning, implementation, monitoring, evaluation, and reporting needs of the Mission. Listed below are the main elements of this program.

a. Monitoring

Implementation: Our aim is to keep all elements of the Mission, from the Director to the Project Officer, appropriately informed of the status of all major activities. (A major activity is defined as one having an LOP of $3 million or more.) Concerning inputs and outputs, we will be looking for an early warning that things are not happening as scheduled: if inputs are not made, the purpose will not be achieved. Thus, project manager site visits are to be supplemented by quarterly site visits by at least one non-technical division officer. All USAID/Uganda officers are to participate in a minimum of one site visit per quarter. A standardized report is to be filed after each visit. To the degree possible, GOU officials from the Technical Ministry and Ministries of Planning and Finance will also participate.

Impact: We share A.I.D./Washington's concern with monitoring progress toward achievement of purpose-level objectives. We plan increased use of mid-project collection methods, such as focus groups and small sample surveys. For example, under the ANEPP project, a panel study has been conducted. First in 1990 and repeated in 1991, small groups throughout the country were contacted about the impact the project has had on them. Initial reports indicate income is up 30 percent. We plan to repeat this process with the same panel in future years and to expand the process to other activities. Also, the national household expenditures survey will be updated annually and the data made available on computer diskette, which will assist in measuring impact. We see such assessments (which will be disaggregated by gender) as a mechanism for increasing project effectiveness and for annual program impact assessments.

b. Reporting

The basis of our reporting system is the Project Implementation Report (PIR), which is required twice yearly. These reports no longer will be submitted on the same cycle because of the time required to review them in equal depth when all are submitted at one time. Now one to two PIRs will be drafted and reviewed per month during the period from October through June. July and August will not be scheduled

because of the high number of personnel on leave. The PIR for each major activity will be given a full Mission review.

The PIR (to be disaggregated by gender) will also be a primary source of data for the Assessment of Program Impact (API) exercise scheduled for October/ November. This year the API will be reviewed with the GOU, utilizing the Policy Analysis and Capacity Building (PACB) Project Oversight Council. The Program Log Frame, discussed in Section VI is the basis of the API exercise.

c. Evaluation

At the apex of the USAID monitoring, reporting, and evaluation system is the evaluation element. Major projects will have some type of evaluation approximately every 30 months. Currently scheduled for evaluation within the next 30 months are the four major projects we intend to close out: RPE, CAAS, and MFAD. The major emphasis of these evaluations will be to form the baseline data base upon which the real growth phase of Uganda's development will be based.

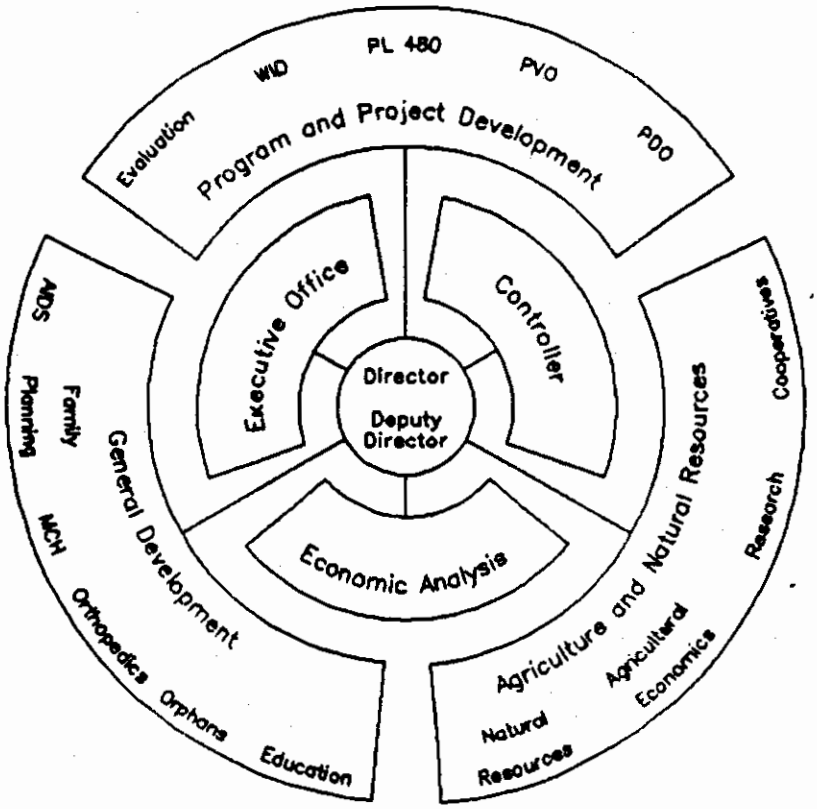
The entire Mission will play an active role in the Monitoring, Reporting, and Evaluation (MRE) system. The system will be coordinated by the Program and Project Development Office. The Deputy Program Officer serves as evaluation officer and spends approximately 50 percent of her time on this function.

Most MRE activities are funded directly by projects. These resources are supplemented by PD&S and PACB. The Policy Analysis and Capacity Building project was brought on line in large part to develop Ugandan capacity for quick and accurate evaluation of development programs, and to ensure that this information reaches the decision-making levels of society. To date, we have identified a number of Ugandan firms interested in providing expertise for this effort. Through one such firm, we have already placed a Ugandan agricultural economist on the team that is designing the multi-year PL 480 Title III program. Equally important, we have commissioned studies to establish base lines for evaluating the overall impact of our program. These studies will utilize a combination of U.S. and Ugandan firms. This should result in both establishing a sound database and in increasing Ugandan capacity. Also planned is an effort to increase the capacity of the Department of Economics at Makerere University by involving it directly in the studies. Through the joint U.S.-Uganda Oversight Council, USAID also has a mechanism for effective dialogue on evaluations with representatives of many elements of Ugandan society. We plan to take full advantage of this opportunity.

3. Staffing

Staffing needs depend upon several things: the level of assistance, the mix of project and non-project assistance, the availability of data (both generally and as provided by USAID contractors), the intensity of monitoring in order to respond rapidly

Figure 3: Mission Organization Chart



to project successes and failures, and the intensity chosen by the mission for policy dialogue at all levels of interaction. USAID currently targets by April 1992: 15 direct hire, three PASA, 101 foreign service nationals, seven third-country nationals, and six personal service contractors. This staffing will be adequate to implement Option 2, but will be insufficient to implement Option 3 due to reasons explained in the next section. We believe that at least three PSCs and ten FSNs must be hired in addition to current staff if we are to implement the program proposed above. In particular, the increased need for project or program monitoring requires the staff to implement this monitoring.

This staff will be organized as shown in Figure 3. The Mission was formally reorganized in 1991 to accommodate an expanded program. If the proposed Option 3 is accepted, we do not require any significant changes in organization.

SECTION VIII
SECTOR STATEMENTS

AGRICULTURE SECTOR STRATEGIC OVERVIEW

Agriculture is a central part of the USAID strategy for its role in providing value added and growth. It is closely linked to both our economic growth and natural resource subgoals, and through nutrition to health. Policy reforms supporting the private sector affect agriculture more than other sectors. It is in this sector that the implementation of policy reforms will most visibly demonstrate their benefits to doubting policy-makers, thereby encouraging further reform.

A. Sector Description

The key to Uganda's development is pursuit of sustainable growth in the production, processing and marketing (in domestic and export markets) of the country's agricultural commodities and the development and preservation of its natural resources. Agriculture contributes over 66 percent of GDP, 99 percent of export earnings, close to 80 percent of employment and 40 percent of government revenues. The Ugandan economy is based on agriculture in which also lies its international (and intra-regional) comparative advantage in trade. Therefore, growth depends upon the effective exploitation of the country's natural resources and the development and implementation of strategies and policies to ensure the sustainability of their economic exploitation. Successful management of Uganda's vast agricultural resources affects not only agriculture but all other sectors, directly or indirectly.

Uganda's overwhelming dependence on agricultural exports for its foreign exchange earnings and that primarily (95 percent) on a single commodity (coffee), and the dissolution of the International Coffee Agreement which committed the major coffee-producing nations to maintain floor prices, have all contributed to the disparateness of Uganda's foreign exchange position. Recognizing the need to increase and stabilize foreign exchange earnings, the GOU has elevated the diversification and development of the Ugandan export base to among its highest priorities. To stimulate increased production of exports, the GOU is seeking to identify and adjust policies and administrative procedures which have created disincentives to farmers' production and exporters' marketing of agricultural products. The first policy area tackled was foreign exchange reforms. The inflated official exchange rate which existed in 1988, significantly reduced — if it did not entirely eliminate — the incentives to produce and market export crops.

As a result of analyses undertaken by the GOU, an open market in foreign exchange through licensed forex bureaus was legalized. The GOU continues to pursue its commitment to bring the official exchange rate into line with the market rate. However, coffee is still exported at the official exchange rate, imposing a heavy implicit tax on this sector.

As the GOU achieves a degree of success on foreign exchange policy, second order constraints (administrative, regulatory, structural, technological, etc.) impeding further export development come into focus.

Effective natural resources management is the foundation of a sustainable agricultural society. Uganda urgently needs to take steps now to ensure the conservation and efficient management of its rich natural resource base. USAID has just authorized the Action Plan for the Environment to work with the GOU on 1) the preparation of analyses to determine policy measures necessary to ensure Uganda's economic development proceeds along sustainable lines and the resource base that underpins its economy is safeguarded and 2) the provision of resources to ease the adoption and implementation of appropriate policies.

Tourism is also closely related to Uganda's environmental and economic well-being. Uganda is one of the world's most biodiverse nations. Effective management of natural resources and protection of biodiversity will enhance Ugandan tourism potential. Tourism can be an important source of foreign exchange, off-farm employment, rural income, and service industry, but only if a significant political bloc sees that preservation of the environment is in its economic interest due to tourism, so tourists will be attracted.

Since 1986 Uganda has made impressive gains in food and export crop production, as a result of improved government policies, increased security and donor support. Gains, however, have resulted from increases in the amount of land under cultivation as opposed to intensification of productivity for increased yields. Agricultural practices need to increase yields through application of new and adapted technology. Increased yields will enable farmers to meet their production targets through intensive rather than extensive efforts.

Presently, food crops dominate the agricultural sector. Staple food crops (matooke (plantain), beans, maize, cassava, sweet potatoes, groundnuts, sorghum and millet) account for approximately 90 percent of land under cultivation; cash crops (coffee, tea, tobacco, cotton and sugar) account for the remaining 10 percent.

Population growth creates further demands on the already overstressed land. Rapid population growth puts farmers under pressure to increase production. There are limitations to the extent to which the land can support food production for an ever-increasing population, while simultaneously supporting increased diversification and production of export crops.

Further development of the agricultural sector requires research support to increase the yields not just of export crops, but also of basic food crops so that small farmers, in turn, have surplus land and labor to devote to the increased production of cash crops and the production of food crop surpluses for commercial sales.

The GOU's experience with its public sector marketing organizations has been abysmal. It has already acceded to farmer pressure and eliminated parastatal monopoly control of coffee, horticultural and lint marketing. With private sector alternatives for marketing their crops, farmers are demanding and getting better prices, more timely payment, etc. Due to the relative dearth of marketing channels, USAID's Cooperative Agriculture and Agribusiness Support (CAAS) project has recently been restructured to prepare the cooperatives to assume a more active role in marketing (domestically and for export) agricultural products and processing them so that more of the value added accrues to the farmer/members.

B. Options

Natural Resources Strategy Elements

1. Protection of Parks and Wildlife. There is a need to give local communities around parks a vested interest in protection of the area, as well as to facilitate access to resources currently the focus of depredation -- e.g., wood fuel.

2. Protection of "commons" areas (swamps, valley bottoms, steep slopes etc.):. These are currently the focus of fairly intensive and uncontrolled exploitation, resulting in degradation of land quality, depletion of water tables, and loss of habitat for natural predators of mosquitos, tsetse fly and other pests. These areas will require local institutional interventions -- one of the traditional functions of local authorities. The legal situation needs to be clarified and appropriate local authority by-laws enacted, as a necessary (but not a sufficient) step. Productive ways of exploiting these resources, while protecting them, need to be popularized, through the appropriate local land use authority.

Agricultural Strategy Elements

1. Export Development and Diversification: Though we have realized significant growth in agricultural nontraditional exports over the life of the project (draft statistics: 1988 -- $8-9 million; 1990 -- $30 million), this still represents less than 10 percent of total (pre-coffee crash) exports and approximately 5 percent of total imports. Continued support will address the next order of constraints (policy, administrative/ regulatory, structural, technological, managerial, etc.)

2. Commodity Import Program Assistance: The GOU's foreign exchange policy reforms have rendered this mode of support unnecessary. The private sector now has access to hard currency at a market-determined exchange rate. New modalities are being evaluated to ensure continued availability of foreign exchange and its rational (economic) allocation.

3. Marketing Channels: These are thin and weak. In order to expand alternative marketing channels, thereby creating more competition and improving the terms

offered to farmers, we are working with the cooperatives and on improving rural feeder roads. In addition, we will continue to evaluate the need for further assistance, if required, to enable the private sector to compete on an equal footing with public sector enterprises.

4. Revenue Reform: Agricultural producers have effectively carried such a heavy direct and indirect revenue burden that many have found the returns do not justify the expenditures (of land, labor, capital and management). This is a partial explanation why many Ugandan farmers have retreated from commercial farming to subsistence production. Without reforms, the productivity of the commercial agricultural sector is at risk of shrinking further. This is an area in which the World Bank is leading analytical work.

5. Investment: It is essential to rapid growth of Uganda's economy. New investment provides an infusion of capital, technology and management. In many cases it also implies access to established marketing channels. Through the provision of an Investment Marketing Advisor to the Uganda Investment Authority, USAID will continue to monitor and exploit appropriate opportunities as they emerge.

6. Land Tenure: Individual tenure or secure long term lease arrangements are essential to encourage investment in conservation measures, infrastructure, permanent tree crops, etc. It is clear that major insecurity of land in Uganda, arising out of the dispossession of Asians in 1971-72 and the Land Reform of 1975, is retarding investment. Security of tenure needs to be addressed as an element of economic growth.

7. Credit: With PRE/I support, we are initiating a pilot program with an international merchant bank and a local commercial bank to evaluate effective demand for export financing and review extension/collection procedures. With this information we will consider whether and how to expand of our export credit support. Currently, foreign exchange transactions through the forex bureaus must be on a cash or spot basis, imposing a heavy cost-of-working-capital burden on exporters not dealing through the administrative, central bank window. Reform may solve the trade credit problem without the use of USAID resources.

8. Rehabilitation of Coffee: Coffee, as the major foreign exchange earner over the near term, must be rehabilitated. This requires progress at the macroeconomic level with the exchange rate and reform of the revenue structures which reduces the return to the farmers to the point of eliminating the incentive to produce. The World Bank is leading effort here and we propose leaving it in these hands.

C. Recommendation

USAID's primary focus in the agricultural sector will remain the stimulation of sustainable growth in the production, processing (adding value) and marketing of

nontraditional agricultural exports. Our areas of intervention will therefore continue to include policy analysis, direct technical/managerial assistance to exporters, research targeted to support export development (directly and indirectly), extension of cooperatives and private investment into value-adding processing and marketing and the development and implementation of natural resource and environmental management policies to ensure Uganda's resource base is maintained and enhanced.

USAID will continue to wind down its support to activities that no longer present critical constraints, for which sufficient local capacity has been created or we have not realized a degree of success commensurate with our expectations and expenditures. This may include direct participation in traditional agricultural credit programs, further research on land tenure, commodity import programs, general versus targeted research support, or similar activities.

D. Implementation

The Program under implementation, with the exceptions noted above, will be continued under present arrangements. New initiatives to ensure the continuation of a market-based foreign exchange allocation system and to broaden private sector marketing channels are planned.

EDUCATION SECTOR STRATEGIC OVERVIEW

The quality of the educational system is a subgoal of the CPSP. It also has a direct influence on the achievement of all our subgoals, through the impact of primary education on health and family size preferences, through increased agricultural production, through the value of education for a skilled labor force, and for the development of values which favor protection of natural resources.

A. Sector Description

Primary education in Uganda needs to be strengthened and revitalized. At present, the GOU, through the Ministry of Education (MOE) funds about 10 percent of the costs of public primary schools. Parents of school children provide the remaining 90 percent of necessary funds. Through local Parent-Teacher Associations, parents "top up" virtually all of each teacher's salary as well as contributing both to the operating and capital expenses budgets of the school. This is a grievous burden. Ugandans yearn to be released from these heavy expenses and expect the government to reassume responsibility for education costs.

The GOU is not presently able to assume such costs, nor is it likely to be able to do so within the foreseeable future. Due to inadequate resources, the GOU presently needs donor assistance. Salaries in particular affect all members of the civil service, not just teachers. The MOE has designed a new curriculum stressing critical thinking and problem solving skills. It has designed and commissioned textbooks appropriate to implementation of this curriculum in Uganda and training in these skills. However, due to the political and financial crises in the 1980s, these textbooks have had only limited dissemination, while the requisite teaching skills to use them properly have not yet been introduced.

Clearly, the Ugandan citizenry has made a great effort to enroll large numbers of its children in primary schools. In 1965, 569,000 students (6 percent of the population) attended 2,580 primary schools. By 1988, 2,633,000 students (15 percent of the population) attended 7,905 primary schools. While the number of schools tripled, the proportionate number of pupils increased fivefold. These increases are significant because Uganda experienced severe economic and political upheaval between 1971 and 1988. Nonetheless, this was a period during which Ugandan parents built primary schools and enrolled students. For lack of complementary resources — teachers and material — the quality (which is the factor parents were unable to affect) declined markedly. The significant gains in school enrollments during these difficult times illustrate the great faith Ugandans place in education.

Many students struggle to complete Primary Four (P4) before dropping out permanently, since the difficulties of working in English as a foreign language intensify in P4. In a majority of rural schools, much of the curricula in P1 through P4 are taught

in local languages with English textbooks used as the medium of instruction. Textbooks for the first three grades are structured so that they can be used effectively by students who are not fluent in English. However, P4 textbooks are much more difficult and, in some cases, demand nearly two years of language growth in one year. Thus, curricular difficulties as well as lack of funds may be reasons why students drop out in massive numbers at the end of P4.

Although 160,000 P7 students take the Primary Leaving Examination (PLE) each year, the examination which determines whether one may attend secondary school, only 40,000 will find places in secondary schools — because only 40,000 places exist. The school system has not kept pace with the demands for education and will not be able to do so for the foreseeable future.

The Ministry of Education bravely speaks of the possibility of universal primary education by 2003, adding that the problems within the Ministry of Education will be solved by then, so that all students will be able to attend schools. However, when MOE officials speak of universal primary education, parents believe that free public education is being discussed. This is not true. MOE officials quietly state that parents will always contribute funds toward their children's education. Recent World Bank projections indicate that more than $1 billion would be needed merely to provide schools for anticipated students before the year 2000. The total estimated budget for the education sector, which has been proposed by World Bank studies is more than $6 billion, a sum clearly out of range of the government. Approximately $100 million is being proposed by the World Bank for the fifth IDA education credit.

B. Options and Recommendations

USAID plans a four to five year intervention in the primary school system, focusing systemically on the most important specific constraints. It will be comprised of both NPA and project assistance. The World Bank plans parallel longer term educational interventions through IDA V, but this will begin to come to fruition in two or three years. Our intervention will bridge this gap.

While we are confident that the interventions will be in the areas listed, this is not a commitment to a specific course of action. This course will be decided during the design phase.

The fact that USAID's planned program is time-limited does not mean that reform of the elementary curriculum and its teaching will be completed in five years. The purpose of the program intervention is to bolster the ability of the GOU to do so, into the indefinite future. We expect that much of this will be accomplished by World Bank and other donor assistance. USAID intends to help point primary education reform in the right direction to serve as the foundation for longer-term resources as they become a available.

Thus, USAID, through the proposed education strategy, will begin to revitalize the primary school system immediately, provide short-term interventions and prepare the system to accept the long term changes being planned. We will also help the MOE to redirect the education system to problem-solving and analytical skills rather than rote memorization. At the conclusion of the proposed five year program, World Bank funding will have come on stream and hopefully will be adequate for the sector, to sustain and expand the new curriculum, examination and teacher incentive system we propose to introduce. USAID will conduct an assessment of the education sector during Year Three of the primary education program. This assessment will be used to determine whether further A.I.D. interventions in the education sector are needed.

USAID will make a significant impact on Ugandan society through the proposed CPSP education strategy. This strategy calls for a systemic approach to promoting quality learning in primary schools. Several interlocking issues must be addressed simultaneously to produce a meaningful change in primary education. These issues are listed below with a brief discussion of possible USAID interventions:

1. Improvement of teachers' benefits

Teachers need to regain the respect of the Ugandan citizenry. Presently, teachers' salaries are so low that often both teachers and education are mocked by young adults who believe only people who are incompetents or failures become teachers. USAID proposes to help restore teachers' status through a program which will involve assistance to improve teachers' standard of living. The precise form this will take will be determined during program design. Without an improvement in teacher incentives, no other interventions will succeed. Improved living standards combined with training to strengthen teaching skills will have a favorable impact on morale and the quality of teaching.

2. Access for all students to presently published appropriate Ugandan teaching materials

The World Bank, through IDA III and IV, distributed limited copies of appropriate Ugandan textbooks to government sponsored primary schools. USAID plans to supply primary schools with adequate numbers of these books for P1 through P7 science and social studies courses. In some cases they will be supplemented with additional teaching materials. Primary school students need textbooks and materials in order to learn effectively. Existing books are well written and, with appropriate teacher in-service training, will be the vehicle by which primary school students learn needed critical thinking and problem solving skills.

3. Teacher in-service training courses

Primary school teachers must be trained in teaching the methods embodied in the materials newly disseminated to their students. Courses will emphasize the teaching of critical thinking and problem-solving skills. Many primary school teachers are not well trained. As presently unqualified teachers become trained to teach specific critical thinking and problem-solving skills, (for specific books which students will have), teaching in primary schools will improve. As students learn these skills through science and social studies courses, the quality of learning in primary schools will improve significantly.

4. Reform of the Primary Leaving Examination (PLE)

The present primary school curriculum is driven by the Primary Leaving Examination, through which students are selected to continue their formal schooling in secondary schools. Presently, the PLE does not test critical thinking and problem-solving skills. Therefore, efforts to add such skills to the primary curriculum have foundered on their lack of relevance to student progress reports.

Further, in the primary leaving examinations for 1982 and 1987 boys outscored girls in every subject except English.

USAID will work with the Ugandan National Examination Board (UNEB) to introduce three new elements into Ugandan primary education:

- continuous assessment of learning (students will be tested yearly and the PLE will assume less importance as a measure of competency for secondary school entrance),
- revisions in the PLE will emphasize critical thinking and problem-solving skills, and
- analysis which will be undertaken to assess gender differences related to the PLE.

5. Non-project assistance for policy change

Both USAID and the World Bank will request that the GOU agree to policy changes in its budgetary process and levels. Resources will be "reallocated from Defense to Education and Health, and within Education, from higher to basic levels accompanied by specific cost sharing policies to reduce boarding and related subsidies at the secondary and tertiary levels." (Aide Mémoire of the World Bank Donors' Meeting, July 29, 1991, p. 2).

It is important to note that a great deal of thought has been given to the issues of access and equity. Gender access is being examined. Methods of increasing the number of girls completing primary school will be developed during project design.

Equity — that is, the quality of being fair, impartial and just — has also been considered carefully. Regrettably, the Ugandan educational system is unjust. Since parents are responsible for nearly 90 percent of primary school cost, only the children of moderately prosperous parents may attend. It is estimated that approximately half of the age cohort attends primary schools. A third to half of those who do attend primary schools will be sent away from classrooms at some point in the school year because their parents cannot afford school fees.

Traditionally, most funds in the Ugandan education sector have been allocated to students who attend secondary and tertiary schools. Through 1989 the GOU, through the Ministry of Education (MOE), spent six times as much on each university student as on each primary school student. USAID intends to work with the MOE to redress these imbalances.

Solutions to the high cost of all phases of education lie outside the education sector. It is likely that education will need funding through tax reform so that the burden of educating future generations will fall on the entire society.

Furthermore, the birth rate needs to be decreased. Currently, the typical Ugandan woman has 7.4 children. Enough schools to educate the prospective students cannot be constructed with present resources.

In formulating its strategy, USAID has spoken with and listened to Ugandans of various backgrounds. We have been in close communication with appropriate officials at the Ministry of Education, the Teacher Training College system, selected District Education Offices and in local schools. We have met repeatedly with groups of both primary and secondary teachers and had informal contact with professors at Makerere University. One of our most valuable sources of information has been informal surveys of parents, teachers, head-teachers, community leaders, and members of the RC political system. Overwhelmingly these people's priority concern is the education of their children. Our strategy reflects their concerns.

USAID has considered the various alternatives suggested by the Education Sector Report of March 1990 carefully. Of the ten suggested interventions, the proposed USAID CPSP strategy directly incorporates six.

The ten areas suggested are:

1. Primary Teacher Education

   a. Management Information System for Primary School Personnel
   b. Revitalizing and Upgrading Pre-service PTTCs
   c. In-service Training for Primary Teachers
   d. Non-project assistance

2. Training Primary School Head-teachers

3. Assisting the Uganda National Examinations Board

4. Strengthening the Planning and Statistical Unit of the MOE

5. Community Self-Help for Primary Schooling

6. Integrating Agriculture into the Primary School Curriculum

We consider them in turn.

Option 1 a., Primary Teacher Education:

The World Bank proposed in late July, 1991 that the Ministry of Education accept a Management Information System for Primary School Personnel project through Fifth IDA funds. The MOE has not yet had time to respond to this request. The USAID Management-Financial Education Study which began in September 1991, will focus on management and financial relationships between the MOE, District Education Offices and local schools. The study will explore the need for a comprehensive Management Information System for Primary School Personnel only peripherally.

Option 1.b., Revitalizing and Upgrading Pre-service Primary Teacher Training Colleges (PTTCs); and
Option 1.c., In-service Training for Primary Teachers:

The USAID strategy approaches these options simultaneously: option 1.b., indirectly and option 1.c., directly. The World Bank is committed through IDA V to a systemic approach to educational changes through the financing of 12 Teacher Training Colleges (TTCs), each of which will be tied to a lead school. Each lead school, in turn, will be tied to approximately ten satellite schools.

In contrast, USAID envisions sponsoring mass teacher in-service training which would be carried out in the local schools with tutors from appropriate TTCs. USAID believes that this approach will be both less expensive and more productive than getting involved directly with PTTCs and TTCs. As tutors from PTTCs learn to teach specific information to the teachers in local schools, they will themselves be reinvigorated and carry their knowledge back to the PTTCs.

Option 1.d., Non-Project Assistance:

USAID envisions that the Non-Project Assistance portion of the proposed education effort will be a substantial one. There are many policy changes which Non-

Project Assistance could address. The specific policy changes will be identified during the PAIP and PAAD process which will be carried out this fiscal year.

Option 2. Training Primary School Head-teachers:

USAID does not presently contemplate sponsoring training specifically for Primary School Head-teachers. However, Head-teachers are expected to benefit from the planned primary level in-service training. We will understand this option much better at the conclusion of the Management-Financial Education Study.

Option 3. Assisting the Uganda National Examinations Board

USAID intends to assist the Uganda National Examinations Board by focusing on two types of examination reform:

1) introducing continuous assessment which will examine students during and at the conclusion of each year, and
2) restructuring of the Primary Leaving Examination to evaluate critical thinking and problem solving skills.

Option 4. Strengthening the Planning and Statistical Unit of the MOE:

The World Bank through IDA V has declared the strengthening of the MOE's Planning and Statistical Unit (now named the Education Planning Unit) a priority for funding. Thus, while this is of high priority to us, USAID assistance will not duplicate the World Bank support.

Option 5. Community Self-Help for Primary Schooling:

USAID intends to integrate this option in an effort to raise primary school teachers' living standards. The form that this effort will take has not yet been determined; it will be addressed during the PAIP and PAAD preparation process.

Option 6. Integrating Agriculture into the Primary Schools:

USAID has chosen not to explore this option because of prejudices which Ugandans hold on agriculture studies. The study of agriculture is presently viewed as punishment and an avowal by adults that students being taught agriculture are not capable of continuing secondary school studies. Parents want their children to escape from the land, not return to it.

Ugandans believe in education. Most parents want their sons to succeed academically so that they may move away from subsistence farming. The rationale for many people is: "My son will complete primary school successfully, go to a good secondary school and get a job in a bank. My daughter can go to school only until

we need her school fees money for something else. Why do girls need schooling anyway?"

Education is seen as the path for men to escape manual labor and poverty, which Ugandans see as synonymous; education equals money, power and a white collar job. Thus, parents make great sacrifices to send their children to primary schools. Informal surveys indicate that many children begin school each term and drop out as school fees become due. By the end of the term's second month it is common for each class to have a third to half of its enrollment absent because school fees have not been paid.

In summary, USAID has an important role in Ugandan education. The GOU has expressed strong interest in having USAID substantially involved in the sector. A more detailed discussion of the education sector can be found in Annex C-4.

HEALTH SECTOR STRATEGY OVERVIEW

In its multiple ramifications the health sector is of major concern to everyone. After the education of their children the main concern of Ugandans is the maintenance of personal and family health. Good health of Ugandans also contributes to the achievement of our subgoals concerning education and economic growth; these in their turn have been shown to contribute to good health. The catastrophic impact of AIDS in particular has close linkages to all other aspects of the Mission strategy -- from productive employment to family size preferences -- and must be addressed if any long-term progress is to be achieved.

A combination of population growth, disease and neglect is overwhelming the Ugandan health sector. It is severely under-funded, with little short-term chance of this changing. The funds being expended are going predominantly for curative instead of preventive medicine. Many Ugandans believe that funds reaching the field are used ineffectively or diverted from their intended uses, so the RC committees pass much of their unpaid time as medical watchdogs. The rapid expansion of the number of AIDS hospital patients is beginning to limit treatment of those with other diseases. A rapidly expanding population is making demands on the system that would be difficult to meet even under ideal funding circumstances.

Uganda is experiencing an epidemic that rivals the worst that any nation, at any time, has experienced. Short of a miracle cure or vaccination for AIDS, which no one expects in the near future, even the most optimistic scenario will show a profoundly negative impact on the Ugandan people. The economic goals of this CPSP cannot be achieved unless an effective and economical solution to the health problem is found. AIDS harms the availability of bank lending, of labor, and of investment rehabilitation. Several Uganda newspapers have stated that the AIDS epidemic is increasing a climate of corruption through desperation and apathy toward even stiff, well-enforced sanctions.

The Ugandan health system consists of a core of public programs supplemented by NGO efforts. USAID strategy in assisting the GOU is to work to improve the overall performance of the system while specifically addressing the areas of greatest concern. These areas include: 1) AIDS, 2) Family Planning, 3) Maternal and Child Health, and 4) Orphans. The first two areas are our major focus.

Both AIDS and Family Planning must deal realistically with human sexuality to be effective. Thus while they are treated as programmatically separate, our strategy seeks ways to reinforce both areas simultaneously.

A. AIDS

AIDS is our immediate concern because of the threat it poses to the very survival of Uganda. Under even the most optimistic projection it will remain a major concern for well beyond the time frame of this CPSP. In reviewing options for combating the disease we project three possible strategies for USAID: 1) Limited Involvement, 2) Moderate Support and 3) Aggressive Leadership. Each is examined in turn.

1. Option 1: Limited Involvement

In this scenario AIDS is freely transmitted with minimal constraints. The transmission rate is high and rising. The death rate is growing apace. While some public relations campaigns take place they are modest in scope and marginal in impact. Ultimately, natural counteractive forces begin to come into play. Over the long run (10-15 years minimum) the effect of the epidemic begins to diminish. Casualties are extremely high and growing. According to projections based on the AIDS Impact Model, death by AIDS reaches 100,000 persons per year over the next five years. Four million people are infected. Hardest hit are children under five and the middle-aged (35-49 years old). Young adult deaths are 350,000 annually by 2010. Child mortality increases from 40,000 to 70,000 a year. Infant mortality, currently 101 per 1,000, remains at 100 per thousand (without AIDS, infant mortality would be expected to drop to 80 per 1,000 because of advances in maternal and child health.) The number of orphans grows to 2.8 million by 2010.

As dismal as is this scenario, it must be considered a viable strategic option. The changes of behavior required to limit the spread of AIDS are stimulated by natural forces which are likely to be independent of any donor intervention. Spending large sums of money provides no assurance that the result will be significantly different from the result of doing nothing. The additional value of USAID assistance may be only marginal. Thus, USAID might better save the money or invest its resources in more productive activities. We also can be confident that other donors will enter the field even if we abandon it.

Ultimately, however, such an approach is not acceptable to the American people, U.S. Congress, or ourselves. Thus for ethical, moral and humanitarian reasons, and to ensure achievement of the economic goals of the CPSP, a more effective approach must be developed.

2. Option 2: Moderate support

The basic strategy remains the same, but the emphasis is on accelerating the working of the natural forces of change. The premise is that as people watch others die of AIDS, their desire to avoid HIV infection themselves is significantly strengthened. Appropriate programs can increase motivation to change their sexual behavior.

In this scenario USAID concentrates on the hardest hit areas. We support new and enhanced educational campaigns as well as limited voluntary testing programs. Research is initiated on transmission factors, natural history of the disease and prevention. Traditional cultural and legal constraints are respected. The greatest possible coordination among donors, NGOs, and the GOU is sought to avoid duplication and competition. Some benefits, beyond that of an anticipated natural reaction, can be expected. By getting out a message that survival is possible, perhaps an additional ten to 15 percent of the population may begin to practice safer sex. Basic U.S. and Ugandan political requirements are satisfied.

The forgoing scenario was essentially the initial USAID/Uganda AIDS strategy. Over the past 2-3 years, however, a more aggressive approach has been adopted. Sensitization is taking place. The word is getting out that safer sex techniques are available. Progress is difficult to measure, but anecdotal evidence indicates that some change of behavior is taking place. For the moment, and probably for the next several years, this approach is likely to be politically acceptable. It also may be about the best that can be done given the limited evidence that higher funding levels will yield significantly increased results.

3. Option 3: Aggressive leadership

The assumptions underlying this strategy are significantly different from the previous two. There is a bias for action. Action may be taken in advance of definitive statistical evidence that such action is the correct course.

In this strategy the epidemic is viewed as a major threat to the survival of the society, which can be met only by basic changes to cultural and legal patterns. Behavioral changes already underway need to be significantly enhanced. Fundamental changes are made, if only because Ugandans recognize that they must be made if they are to survive.

The strategy calls for a range of activities to be implemented, primarily by NGOs. Each activity will be evaluated within a year of initiating implementation. Those which are effective or show clear promise of becoming so will be continued (and perhaps expanded). All others will be terminated.

Such a strategy has significant programmatic and financial risks for A.I.D.. It undoubtedly causes resentment in some people and groups. Some — perhaps many — of the activities will fail. These risks are justified by the need to reduce the high death rate. (It is recognized that any measurable reduction in the death rate will take at least five years and that mortality in the CPSP period is already built into the system).

As models, Ugandan leaders are encouraged to examine closely the family planning programs of East Asia, especially Singapore, and the anti-smoking and drunk

driving campaigns in the U.S.. Extra resources are diverted to areas currently at lower risk. Within a democratic context, a massive effort to stimulate behavioral change is made. A wide range of methods are tried, monitored closely, and quickly expanded and adopted or closed down according to results.

The strategic context is significantly changed. The following type of activities are initiated:

First: Emphasis is placed on protecting the least affected areas and groups. Current efforts to assist the highest risk groups and areas are not abandoned, however: as additional financing becomes available, emphasis is on activities protecting the least affected groups and areas. For example, programs are encouraged to target youths before they become sexually active. A first step is to identify clearly the least affected groups.

Second: Treatment of other sexually transmitted diseases (STDs) is aggressively pursued. Current evidence suggests that heterosexual transmission of HIV is closely identified with STDs that cause genital ulcer disease.

Third: Sex education programs are expanded significantly. While all groups are addressed, the main emphasis would be on sexually inactive youths and their parents. This group seems to hold the best hope of containing the disease.

Fourth: A major effort is made to enhance the status of women. Fortunately, Ugandan women are succeeding in improving their own legal, economic and social status. Efforts to accelerate this trend enjoy government support and have a reasonable chance of success.

Empowerment of women to determine and limit their sexual relations is an obvious goal. Equally important are improvements in legal status and in women's ability to earn an independent living.

Fifth: There is significant expansion of USAID-financed NGOs performing AIDS prevention and control work. At a minimum this expansion includes the major religious groups, which in Uganda, are large and influential. They are natural allies in this crisis and cannot be ignored. With groups whose theology may preclude use of some preventive techniques, a major effort is made to get them to adopt a non-opposition stance.

Sixth: The military is a group having an especially high rate of infection. Soldiers are also widely believed to contribute heavily to the spread of AIDS. Because of this, special programs are developed to meet their particular needs.

Seventh: Home care for persons with AIDS is both a moral and programmatic imperative. Economically, the hospital system cannot cope with AIDS patients. Home

care, with proper technical and social support, offers the possibility of emotionally and practically supporting both persons with AIDS and their families. Further, there is evidence that agencies with an established reputation for support programs have increased credibility when they launch prevention programs. Thus, USAID supports, through NGOs, appropriate home and community care programs.

Eighth: Research into sexual behavior and its role in the spread of HIV is increased. Little is currently known of Ugandan sexual patterns. While there is some knowledge about sexual politics related to resource sharing within marriage, its effect on premarital and extramarital sex is poorly understood. Existing knowledge on sexual politics has not crossed from the anthropological to the public policy forum.

Ninth: Support for HIV testing programs is continued. Even though there is no current evidence that knowing one's HIV status promotes behavioral change, many Ugandans are eager to know their status. At a minimum, testing allows an opportunity for effective counseling, particularly prior to decisions about marriage and pregnancy. Testing allows persons to be referred to appropriate support groups. Testing is also important to distinguish AIDS from other, treatable diseases with similar symptoms.

Tenth: Public relations campaigns against major ancillary factors, including alcoholism, are mounted. Currently in Uganda, drunkenness is considered an acceptable excuse for destructive and anti-social behavior, including sex. Until very recently the same situation prevailed in the U.S.. Widespread value changes in the U.S., particularly against drunk driving, give hope that similar changes can be made in Uganda.

Not all of these approaches will work. Thus a key item in the strategy is a major evaluation effort to document impacts (positive, negative, and negligible) quickly and accurately. USAID is committed to reinforcing success rapidly and to taking equally decisive action against ineffective activities. Grants are short term, for 6-12 months. They are renewable on the basis of demonstrated effectiveness.

Such an approach has drawbacks. It is costly. Many of the specific activities may fail. It is likely that some major groups will be offended by some of the methods. Furthermore, Uganda is a fragile society and changes such as these may place it under increased pressure. Destabilization is a definite possibility. However, the epidemic itself is a great blow to the society and is likely to be even more destabilizing. Thus, while the risks of such a program are significant, continuation of the current situation poses greater risks.

On the positive side, we see much to recommend this approach. Almost certainly, as the crisis inevitably worsens, there will be irresistible pressure to do more. It is better to do more now, when there is still enough time to develop a well-thought-out strategy with a reasonable chance of success. More importantly, such a strategy not only has a real chance of success in bringing AIDS under control, but in improving

family planning programs. One can also anticipate ancillary benefits to development of the community organizations taking place in activities associated with this strategy.

Fear and the desire for survival have put many Ugandans into a receptive frame of mind toward potentially safer practices. We should take advantage of this opportunity. Equally important, the economic goals of the CPSP cannot be met unless AIDS is brought under control.

USAID has already adopted the strategic assumptions underlying the third AIDS strategy, Aggressive Leadership. However, we practice the second strategy, moderate support: we currently have neither the U.S. personnel nor finances to implement aggressively the activities outlined in the strategy. Another major constraint is the limited availability of trained Ugandan personnel. With the recent arrival of a General Development Officer and a Health Officer to supplement the incumbent AIDS specialist, sufficient U.S. personnel will be available to begin expansion. The constraint of limited Ugandan personnel can be solved gradually. Thus, USAID proposes to *expand* our assistance to Uganda in the health sector with an emphasis on AIDS along the lines outlined in the third strategic option. Approximately 10 percent of our projected OYB ($7 to $10 million) would go for AIDS programming. More money than this cannot be used productively given current constraints.

B. Family Planning

As mentioned previously, AIDS control and Family Planning have at their core the same element: human sexuality. Central to human sexuality are some of the most powerful of human emotions: love, lust, and passion, which in turn are overlaid with morality and ethics. None of these is easily adapted to mathematical models. However, understanding them is essential to develop effective AIDS control and family planning programs in Uganda. Thus, a major element of both the AIDS and Family Planning strategies is coming to a reasonable understanding of Ugandan sexual behavior.

While AIDS control dominates our strategy, information on Ugandan sexuality generated through the AIDS research will be provided to family planning managers to improve the effectiveness of family planning programs.

We anticipate a significant increase in the qualitative effectiveness of family planning programs. However, we do not at this time intend to significantly increase their funding. It may be found that AIDS control can, in some cases, be addressed effectively through family planning programs. If this proves true, AIDS-Family Planning funds would be programmed jointly.

The following activities are the major elements of the Family Planning strategy:

1. Family Planning Policy

Technical support in developing a national population policy should be offered to the GOU. Some study tours may also be financed.

2. Expanded Social Marketing of Contraceptives

Social marketing of contraceptives has worked in other countries, but it has taken time. Initial marketing began in the major urban centers in August 1991. We anticipate expansion to rural areas within two to three years. It should be clearly understood that donor support will be needed for at least several years. The relationship to AIDS control is obvious and direct.

3. Family Planning Clinics in the Private Sector

Other ventures into the private sector should be explored, including family planning services incorporated into company, plantation and factory health clinics.

4. Supplies, Distribution and Transportation

If contraceptives and other family planning supplies are not available to the population, they can do no good. USAID must continue to support projects that seek to overcome the chronic problems of supply shortages, distribution problems and undependable transportation.

5. Incentives

The most critical problem is low salaries of family planning staff in the Ministry of Health population programs. Low salaries make it difficult, if not impossible, to fill positions. They undermine productivity, morale and overall effectiveness of existing family planning programs.

Other donors are especially active in offering some sort of salary supplement to recruit and retain competent project staff based in government offices. The inability of USAID to provide such supplements markedly reduces its effectiveness in achieving family planning goals. An aggressive effort to find other means of support is required. It is unlikely that a successful program can be developed without it.

C. Maternal and Child Health

While funded at lower levels than AIDS and Family Planning, MCH programs are essential to improving the Ugandan health care system. USAID will continue to provide approximately current levels of funding in these areas.

USAID/Uganda will also continue to be a strong supporter in the areas of CDD, ORS distribution and production, training of health workers, logistics management and social marketing.

If additional resources become available, USAID would expand its support of programs in three areas:

1. Traditional healers in health project

We should support and encourage some of the less formalized Ugandan systems and institutions in the field of health. These would include traditional healers as well as indigenous, grassroots efforts to address health issues such as AIDS, family planning and illness. These should be at the very least considered — and probably included — in USAID'S overall plan to reach people, particularly in rural areas.

2. Private sector participation in health distribution systems

There should be a stronger link between the private sector and USAID's involvement with government health activities. Contraceptives and ORS are just now being patched into the private distribution network. There are likely many other products and services that could be productively added. This distribution technique has worked in other developing countries and must be thoroughly tried in Uganda before it is dismissed prematurely as ineffective.

3. Acute Respiratory Infection, Malaria, AIDS

Acute respiratory infection, malaria and AIDS — all leading killers in Uganda — demand more research, prevention and treatment. Anti-malarial activities are underway in Uganda by UNICEF, which receives U.S. support. USAID is concentrating our resources in more focussed areas.

D. Orphans

Studies of selected areas show that from 3 to 6 percent of the population are orphans. The total number of orphans is estimated to be between 400,000 and 1,200,000. A priority activity currently underway is analyzing the 1991 census data to determine the exact number of orphans by district.

AIDS is overwhelming the ability of the extended family system to deal with orphans. All data indicate that the crisis will inevitably worsen; outside support is required. USAID will continue to assist NGOs in their efforts to care for these children. Emphasis will be placed on developing sustainable community based programs that reinforce family level efforts. Two areas, providing for education and legal protection of the children's property rights will be stressed.

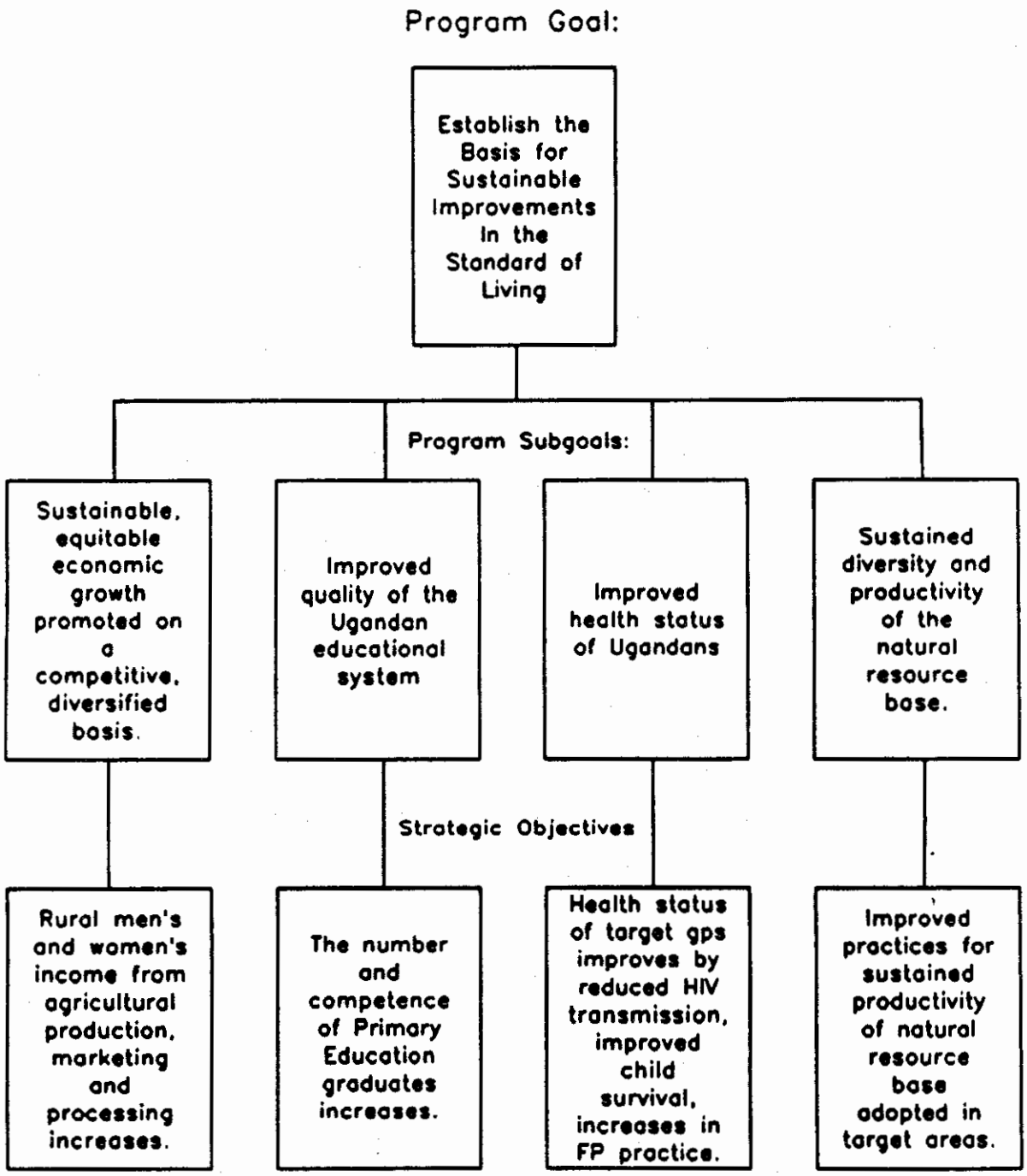
ANNEX A

USAID UGANDA

PROGRAM LOG FRAME

Uganda Program Log Frame

The Uganda Program Logframe is focused on four strategic objectives which contribute to our program goal, as shown in the following diagram:



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Uganda Program Log Frame

Subgoals and Strategic Objectives

I. **Sustainable, equitable economic growth promoted on a competitive, diversified basis. (Strategic Objective: Men's and women's incomes from agricultural production, marketing and processing increase).**

1. Income per capita of poorest 25 percent of rural households increases from an estimated $200 to $250 by 1995. (Increase is at same or greater rate than rate of increase for total income per capita). Indicator of equity.[1]

2. Share of non-traditional exports in total exports increases from two to three percent in 1988 to 20 percent in 1995 (indicator of diversity). FY 90 = $30 million, FY 95 = $45 million.

3. Increased farmer participation in the production of export crops, measured by commodity, supported through EPADU by USAID. Target = farmer participation increases on the order of 100 percent within four years of initiating support, e.g. vanilla producers increase from 600 farm families to 1,200 farm families by 1994.

II. **The quality of the Ugandan educational system improves. (Strategic Objective: The number and competence of Primary Education graduates increases).**

1. Public expenditure on basic education increases from USH 2.8 billion in 1992 to USH 6.0 billion in 1995.[2]

III. **Health status of Ugandans improves. (Strategic Objective: Health status of target groups improves by reduced HIV transmission, improved child survival, and increases in family planning practice).**

1. Public expenditure on primary health care increases from USH 4.5 billion in 1992 to USH 10.0 billion in 1995.[2]

IV. **Sustained diversity and productivity of Natural Resource Base (Strategic Objective: Improved practices for sustained productivity of natural resource base adopted in target areas).**

1. Rate of deforestation reduced from 50,000 hectares per year to 30,000 hectares per year by 1995.

2. Yields per hectare for cereals increase from 1.3 tons per hectare in 1986-88 to 1.7 tons per hectare by 1995.

3. Yields per hectare for roots and tubers increase from 5.7 tons per hectare in 1986-88 to 6.2 tons per hectare by 1995.

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[1]USAID is working with various Ugandan organizations to establish a program to measure this, including intra-household income distribution measures.

[2]Assumes 30 percent inflation per year.

Uganda Program Log Frame

Subgoal 1: Sustainable, equitable economic growth promoted on a competitive, diversified basis.	
Indicators	**Data Source**
1. Income per capita of poorest 25 percent of rural households increases from an estimated $200 to $250 by 1995. (increase is at same or great rate than rate of increase for total income per capita.)[1]	1. Household Expenditure Survey. Sample surveys
2. Share of non-traditional exports in total increases from 2 - 3 percent in 1988 to 20 percent in 1995. (indicator of diversity) — FY 90 = $30 million, — FY 95 = $45 million.	2. GOU reports: — Ministry of Finance — Ministry of Planning and Economic Development (EPADU) — ANEPP
3. Increased farmer participation in production of export crops, measured by commodity, supported through EPADU by USAID. Target = farmer participation increases 100 percent within four years of initiating support, e.g. vanilla producers from 600 farm families to 1,200 farm families by 1994.	3. Same as above

Subgoal 2: Number and competence of boys and girls completing primary education increases.	
Indicators	**Data Source**
1. Public expenditure on basic education increases — from USH 2.8 billion in 1992 to USH 6.0 billion in 1995.[2]	1. GOU Reports
2. Number of boys and girls completing primary school increases by a percentage to be determined during project design.	2. Ministry of Education reports. Others to be determined

[1]USAID is working with various Ugandan organizations to establish a program to measure this and intra-household income measures.

[2]Assumes 30 percent inflation per year.

Subgoal 3: Health status of target improves in the HIV transmission rate and by improved child survival.	
Indicators	**Data Source**
1. Public expenditure on primary health care increases from USH 4.5 billion in 1992 to USH 10.0 billion in 1995.[1]	1. — Ministry of Health report. — UDHS.
2. Rate of HIV transmission demonstrated to be lower in target population than in general population. (Definition of specific target population and degree of reduction to be completed by 9/92).	2. Ministry of Health reports.

Subgoal 4: Improved practices for sustained productivity of natural resource base used in target areas, and policy climate improved.	
Indicators	**Data Source**
1. Rate of deforestation reduced from 50,000 hectares per year to 30,000 hectares per year by 1995.	1. Ministry of Environmental Protection documents.
2. Yields per hectare for cereals increase from 1.3 tons per hectare in 1986-1899 to 6.2 tons per hectare in 1993-1995.	2. Same as above
3. Yields per hectare for roots and tubers increase from 5.7 tons per hectare in 1986-1988 to 6.2 tons per hectare in 1993-1995.	3. Same as above

[1]Assumes 30 percent inflation per year.

Uganda Program Log Frame

Subgoal 1: Sustainable, equitable economic growth promoted on a competitive, diversified basis.

Target 1-1: Market-clearing unified exchange rate established in market foreign exchange regime by 1 December 1992.	
Indicators	**Data Source**
1. Reduce the gap between the parallel exchange rate and the (legal) official rate from 15 percent to 5 percent or less by December 1992.	1. Ministry of Finance statistics
2. Gap between the official foreign exchange market or auction rate and legal parallel (Forex Bureau) rate remains less than five percent. (Continued monitoring will be required).	2. Same as above.

Target 1-2: Private soap manufacturing meets local demand begins exporting in the region.	
Indicators	**Data Source**
1. Distribution to all major population areas of Uganda takes place by 1993.	1. Uganda Manufacturing Association reports
2. Export figures to Zaire, Sudan and Rwanda increases from 0 MT in 1990 to 500 MT by 1993.	2. Bank of Uganda

Target 1-3: Export/domestic market information on liberalized policies and practices being used by businessmen.	
Indicators	**Data Source**
1. Weekly domestic crop market information distributed by regular newspaper and radio services by December 1992.	1. Ministry of Coops and Marketing, Marketing Dept. Market Advisory Service Reports.
2. Number of men and women business owners using market information for business decisions.	2. Studies in Capacity Building Project (PACB).

Target 1-4: Government held properties and businesses sold to private owners.	
Indicators	**Data Source**
1. Transfer of DAPCB government-held production properties to the private sector reaches 33 percent by 1993 and increases each year.	1. Departed Asians Property Custodian Board Records

Target 1-5: Rural feeder roads for marketing and tourism are created, rehabilitated and maintained.	
Indicators	**Data Source**
1. From 1991 through 1993, 6,000 kilometers of rural feeder roads will be rehabilitated.	1. — Ministry of Local Government; — Spot checks by USAID.

Target 1-6: Private sector proportion of agribusiness increases.	
Indicators	**Data Source**
1. Coffee Marketing Board restructured into a regulatory authority and a marketing firm established as a private limited company by December 1992.	1. Repeal or amendment of the Coffee Marketing Act.
2. Cooperatives producing and processing 30 percent of total domestic veg-oil consumption by December 1994.	2. First annual report indicating that marketing firm is run on private basis (1993 Annual report, expected to be released 1994); UCA's Annual Report.

Uganda Program Log Frame

Target 1-7: Cooperative production and marketing of commodities and processed products increase.	
Indicators	**Data Source**
1. Ag. Cooperatives and private exporters will produce, market, process and export 55 percent of coffee by 1995.	1. Published reports of Uganda Coffee Development Authority.
2. Increase in cooperative marketing of non-traditional crops from $0.5 million in 1990 to $1.0 million by December, 1995.	2. Approved Cooperative Loan Applications for Market Credit.

Target 1-8: Private investment climate improved through the elimination of GOU legislative regulatory and policy barriers by FY 1993.	
Indicators	**Data Source**
1. Industrial Act amended or repealed	1. GOU Gazette
2. Uganda Investment Authority (UIA) initiates negotiation of a bilateral investment treaty with the U.S. Dept. of State and makes recommendations to MPED/MFA (12/93)	2. UIA transmittal correspondence
3. MPED propose implementing legislation to NRC to establish EPZs (12/92)	3. Record of NRC debate/ deliberation of EPZ legislation
4. Succession (Amended) Act, decree 22/72 amended to allow widows, of spouses who die intestate, to inherit at least 50 percent of the estate, by 1996.	4. Atty General memo to Law Reform Commission by 1992; Succeeding memos in GOU gazette

Uganda Program Log Frame

Target 1-9: Edible oil supply increases to meet 30 percent of domestic demand.	
Indicators	**Data Source**
1. Cooperative production and marketing of oil seeds to meet 30 percent of edible oil demand by December 1994.	1. PL 480 vegetable oil market survey.
2. Cooperative and private edible oil processing plants on line and providing 30 percent viable production capacity in Uganda by December 1994.	2. Production records of cooperative edible oil processing facilities; PL 480 market survey of vegetable oil status; Edible oil imports from customs service data

Target 1-10: Improved varieties of food crops increase yields and output in target areas.	
Indicators	**Data Source**
1. Sunflower: increase from 0.8 tons/ha. in 1991 to 0.9 tons/ha. by 1995. Maize: increase from 0.9 tons/ha in 1991 to 1.2 tons/ha. by 1995. Soybeans: increase from 0.8 tons/ha. in 1991 to 1.0 ton/ha. in 1995.	1. Sample of farmers' yields in project areas.
2. Output for each crop: — Maize: from 270,000 tons in 1991 to 420,000 by 1995. — Soybeans: from 8,800 tons in 1991 to 15,000 tons by 1995. — Sunflowers: from 4,000 tons in 1991 to 18,000 tons by 1995.	2. Agriculture Ministry estimates of output in project areas.
Subgoal 2: Number and competence of boys and girls completing primary education increases.	

Uganda Program Log Frame

Target 2-1: Increase number of elementary schools having adequate quantities of new, high quality textbooks	
Indicators	**Data Source**
1. Number of primary schools having adequate quantities of high quality textbooks increases from 20 percent in 1991 to 70 percent in 1995.	1. Ministry of Education reports; USAID spot surveys.

Target 2-2: GOU develops and adopts fundamental skills examination by 1993.	
Indicators	**Data Source**
1. P4 pilot exam administered by November 15, 1993	1. Mission reporting documents
2. Final exam results tabulated for each district by 1995	2. Ministry of Education reports
3. Number of girls passing the PLE examination increases by 25 percent.	3. Ministry of Education reports

Target 2-3: Teachers' living standards improve.	
Indicators	**Data Source**
1. To be determined during project design.	1. To be determined during project design.

Target 2-4: Increased number of teachers in each district receiving in-service training.	
Indicators	**Data Source**
1. To be determined during project design.	1. To be determined during project design.

Uganda Program Log Frame

Subgoal 3: Health status of target improves in the HIV transmission rate and by improved child survival.

Target 3-1: National multi-sectoral AIDS commission legalized and operating.	
Indicators	**Data Source**
1. Statute enacted by NRC by December 1991.	1. Uganda Gazette.
2. Commission/Secretariat funded, December 1991 to 1995.	2. Government Budget; Donor information.
3. National AIDS control plan, yearly.	3. Commission reports.
4. Major Commission technical committees operating, yearly.	4. Commission reports; Committee minutes and reports.

Target 3-2: Rate of modern contraception increases for target populations.[1]	
Indicators	**Data Source**
1. Number of women using modern method of contraception rises from 2.7 percent in 1990 to 6 percent by 1994.	1. – DHS – MIS System reports
2. I.M.P. distributing contraceptives in 75 percent of districts by 1996.	2. Private firm reports

[1]Fertility rates not used as target because we do not expect to observe significant impact during CPSP period.

Target 3-3: Limit the spread of HIV/AIDS infection in target populations.	
Indicators	**Data Source**
1. Number of condoms purchased by public from GOU and private agencies increases to 5 million by 1992 and 8 million by 1994.	1. – GOU reports; – Social marketing program reports; – Private sector distribution reports.
2. Reduced incidence of STDS: the Mission is working on establishing indicators for the treatment of STDs.[1]	2. – KAP studies; – NGO/PVO reports.

Target 3-4: Number of mothers reporting ORT usage increases from 15 percent to 30 percent by 1995.[2]	
Indicators	**Data Source**
1. Number of ORS packets sold through retail outlets increases from nil to 500,000 by 1995. Sales are to begin in October 1991.	1. Distributors' sales records (social marketing)
2. Improved maternal understanding of diarrhoeal disease leads to increased use of oral rehydration salts from nine percent to 25 percent by 1994.	2. HFA, NHMIS, DHS. Data on ORT understanding and use from household survey.

[1]Mission is aware of 91 State 317919: *Country-level HIV/AIDS prevention program impact indicators*, and is seeking to develop appropriate readily-measurable indicators.

[2]CDC evaluation taking place in October 1991 will provide updated information for revised indicators.

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Subgoal 4: Improved practices for sustained productivity of natural resource base used in target areas, and policy climate improved.

Target 4-1: Legal status of target parks and reserves changed to ensure protection by 1992.	
Indicators	**Data Source**
1. Bwindi, Rwenzori, and Mgahina forests made national parks by 1992.	1. Published in Government Gazette.
2. Kibale forest raised to nature reserve status — highest level of protective status possible within Dept. of Forest system — by end of 1992.	2. Published in Government Gazette.

Target 4-2: Land tenure effects of sustainability of protected and productive areas studied, and policy reform agenda developed accordingly.	
Indicators	**Data Source**
1. Study of land tenure effects on sustainability of protected areas completed by 1993 in selected buffer zone areas.	1. Annual reports of Makerere Institute of Social Research (MISR) and Wisconsin Land Tenure Center (LTC).
2. Study of land market access completed by MISR/LTC and endorsed by National Environmental Action Plan (NEAP) by 1994.	2. — Annual reports of MISR/LTC. — Land Tenure Task Group report of NEAP.

Target 4-3: Completion and GOU endorsement of the National Environmental Action Plan (NEAP) by 1995.	
Indicators	**Data Source**
1. Cabinet approval of the NEAP by 1994.	1. Published in Government Gazette.

Target 4-4: Park/Reserve operations improved at Bwindi, Rwenzori, Kibale, and Lake Mburo.	
Indicators	**Data Source**
1. Number of tourist visits increases for CY 1993: – Bwindi and Mgahinga jointly: from 0 to 1,200 – Rwenzori from 800 to 1,500 – Kibale from 400 to 2,500 – Lake Mburo from 800 to 2,000	1. – National Park Service annual reports; – Forest Service
2. Road access to following parks and reserves rehabilitated to two-wheel drive capability: – Rwenzori by June 1993 – Lake Mburo by June 1994 – Kibale by June 1994 – Bwindi by Dec. 1994 – Ishasha by Dec. 1995	2. Same as above

Target 4-5: Retention and reinvestment of natural resource and tourist revenues in local conservation activities expanded	
Indicators	**Data Source**
1. Annual park/reserve collection of tourist and other user fees increased *from* nil to CY 1993 totals of: – Bwindi, $12,000; – Rwenzori, $30,000; – Kibale, $12,000	1. National Park Service Annual Reports
2. Policy reform recommendations to increase percentage of park/reserve user fees locally retained and reinvested in conservation endorsed by NEAP and approved by GOU by 1994.	2. – NEAP Report; – Government Gazette.

Target 4-6: Identification and extension of natural resource management technologies for soil conservation and fertility expanded in target areas.	
Indicators	**Data Source**
1. Improved soil conservation and agroforestry practices developed and tested by AFRENA and NGOs in target villages near parks/reserves at Bwindi, Kigali, Rwenzori, Lake Mburo and Mount Elgon. – 10 practices by 1993 – 20 practices by 1995	1. – AFRENA annual reports – NGO annual reports
2. Tested practices extended to the following percentages of farmers in buffer zone areas through community extension programs by NGOs, relevant agencies and schools: – 10 percent by 1983 – 30 percent by 1994 – 50 percent by 1986; and – 30 percent of all extension contracts with women by 1995.	2. NGO baseline and follow-on surveys, and project annual reports.

Target 4-7: Employment and income for men and women from natural resources and tourism activities increases.	
Indicators	**Data Source**
1. Number of men and women[1] from local communities employed in parks and reserves increased by Dec. 1992: – Bwindi, from 45 to 50 – Rwenzori, from 300 to 350 – Kibale, from 5 to 25 – Lake Mburo, from 6 to 15	1. National Park Service annual financial reports.

[1]At the moment there is very little employment of women in the parks. The goal is to increase this to ten percent of the total by December 1992, but more cannot be expected due to the physical requirements of most park-related jobs.

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Target 4-8: Promote Ugandan tourism through private institution.	
Indicators	**Data Source**
1. Number of private licenses to nature tour operators from 35 to 45 by end of 1993.	1. M.T.W. Life
2. Ugandan Tourism Association expands regional and international number nature tours.	2. M.T.W. Life
3. Number of International nature tour operators in Uganda increases from none to five by end of 1993.	3. M.T.W. Life
4. Quality of Private Tour Operators is upgraded and study in 1993 all will be subjected to regular inspection and testing by the UTA and MTWA.	4. M.T.W.A.; U.T.A.

ANNEX B

ECONOMIC AND STATISTICAL TABLES

ANNEX B
ECONOMIC AND STATISTICAL TABLES

1. Gross Domestic Product
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2. Monetary Survey
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Table 1a
GDP at Factor Cost 1981-90 at Constant (1987) Prices
(USh millions)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
MONETARY	86,745	89,101	93,815	96,132	89,152	87,560	94,581	103,881	112,481	116,808
Agriculture	48,293	47,200	49,139	42,241	44,905	44,051	47,669	51,658	56,369	56,927
Cash Crops	3,820	6,047	5,872	5,343	5,599	5,342	5,558	5,318	5,688	5,238
Food Crops	24,314	23,036	25,422	18,811	23,582	24,639	28,896	30,172	33,240	34,438
Livestock	15,594	15,513	15,363	14,070	12,871	11,818	12,078	12,996	13,313	13,779
Forestry	1,014	1,061	1,113	1,073	1,027	1,024	1,127	1,238	1,202	1,269
Fishing	1,521	1,544	1,569	1,844	1,816	1,928	1,911	1,934	1,927	2,212
Mining & Quarrying	53	53	46	42	34	28	34	33	33	51
Manufacture	5,588	6,482	7,020	6,796	6,129	5,767	6,734	8,282	9,793	10,513
Coffee, cotton, sugar	483	577	538	518	441	418	450	812	888	1,023
Manufactured food	345	529	554	518	531	457	614	790	803	964
Other	4,760	5,376	5,928	5,760	5,167	4,892	5,670	6,860	8,104	8,534
Electricity & water	113	118	106	118	108	126	130	105	113	127
Construction	2,252	2,531	3,087	2,873	2,656	2,163	2,999	3,885	4,247	4,872
Retail & wholesale	17,893	18,590	19,593	17,168	17,750	17,389	19,877	21,081	22,843	23,843
Transport & Communic.	3,836	4,010	4,384	4,758	5,137	5,596	6,612	8,230	8,978	8,989
Road	2,030	2,067	2,380	2,830	3,145	3,442	3,835	4,050	4,481	4,309
Rail 451	554	596	610	468	543	578	583	640	652	
Air 345	272	244	101	231	180	119	73	280	340	
Communications	1,009	1,117	1,164	1,218	1,293	1,431	1,482	1,514	1,618	1,888
Community Services	9,748	10,119	10,528	11,006	11,433	11,820	12,226	12,619	13,005	13,486
General Government	4,039	4,080	4,121	4,162	4,204	4,248	4,288	4,331	4,374	4,506
Education	1,369	1,538	1,704	1,838	2,122	2,248	2,386	2,508	2,611	2,718
Health	384	394	406	417	428	441	453	466	479	493
Rents	3,548	3,705	3,868	4,041	4,218	4,398	4,588	4,780	4,978	5,187
Other	408	404	428	448	462	488	512	536	563	583
NON-MONETARY	68,548	74,025	81,324	75,211	75,328	76,446	79,862	83,088	86,786	89,314
Agriculture	64,111	68,473	76,634	70,380	70,373	71,348	74,626	77,702	81,230	83,502
Food crops	57,758	63,118	70,211	63,934	63,765	64,735	67,831	70,818	74,136	76,137
Livestock	5,104	5,078	5,115	5,082	5,205	5,180	5,326	5,648	5,523	5,718
Forestry	1,041	1,068	1,101	1,130	1,160	1,192	1,226	1,261	1,298	1,336
Fishing	208	208	207	244	243	242	244	274	273	314
Construction	222	228	236	241	248	256	262	268	277	281
Imputed Rent	4,215	4,324	4,456	4,580	4,708	4,841	4,975	5,115	5,258	5,521
TOTAL GDP	154,293	163,126	175,238	160,343	163,481	164,006	174,443	186,867	189,247	206,922
GDP/CAPITA (USh 000)	11,739	12,096	12,814	11,228	11,136	10,865	11,245	11,726	12,150	12,206

Source: Bank of Uganda, Reported in Background to the Budget 1990-91, 1991-92.

Table 1b
GDP Growth Rate, in Constant (1987) Prices
(Percent Per Annum)

	1982	1983	1984	1985	1986	1987	1988	1989	1990
MONETARY	3.9	5.4	-9.4	3.5	-0.7	8.0	9.9	8.3	3.7
Agriculture	2.0	4.1	-14.0	6.3	-0.6	6.8	8.4	7.2	2.9
Cash Crops	58.3	-6.2	-5.8	4.8	-4.6	4.0	-4.4	7.0	-7.9
Food Crops	-5.3	10.4	-22.1	19.1	4.4	9.6	11.8	10.2	3.6
Livestock	-0.5	-1.0	-8.4	-8.5	-8.2	2.2	7.6	2.4	3.5
Forestry	4.6	4.9	-3.6	-4.3	-0.3	10.1	8.9	-3.0	4.7
Fishing	1.5	1.6	23.9	-8.6	0.7	4.5	1.2	-0.4	14.8
Mining & Quarrying	0.0	-13.2	-8.7	-18.0	-17.8	21.4	-2.9	0.0	54.5
Manufacture	16.0	8.3	-3.2	-9.8	-6.9	16.8	22.7	18.5	7.4
Coffee, cotton, sugar	19.5	-6.8	-3.5	-15.0	-6.2	7.7	38.0	44.8	15.5
Manufactured food	53.3	4.7	-6.9	2.9	-13.9	34.4	28.7	1.6	19.1
Other	12.8	10.3	-2.8	-10.5	-5.1	15.8	21.0	18.1	5.3
Electricity & water	2.7	-6.8	9.3	-8.5	16.7	3.2	-19.2	7.6	12.4
Construction	12.4	22.4	-4.0	-10.7	-17.8	37.4	29.5	9.3	10.0
Retail & wholesale	3.9	5.4	-12.2	3.2	-2.0	8.1	11.1	8.8	3.8
Transport & Communic.	4.6	9.3	8.6	7.8	8.9	3.9	7.2	12.0	0.1
Road	1.9	15.1	18.8	11.1	9.4	5.6	11.4	10.1	-3.4
Rail 22.8	7.6	2.3	-23.3	16.0	8.1	3.0	7.8	1.8	
Air -21.2	-10.3	-68.6	128.7	-22.1	-33.9	-38.7	256.2	30.8	
Communications	10.7	4.2	4.6	6.2	10.7	3.6	2.2	6.8	4.3
Community Services	3.8	4.0	4.5	3.9	3.4	3.4	3.2	3.1	3.7
General Government	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	3.0
Education	12.2	10.9	13.7	9.5	6.0	6.0	5.1	4.2	4.1
Health	2.6	3.0	2.7	2.9	2.8	2.7	2.8	2.8	2.9
Rents	4.4	4.4	4.4	4.3	4.3	4.3	4.2	4.1	4.2
Other	-1.0	5.9	4.7	3.1	5.2	5.3	4.7	5.0	3.6
NON-MONETARY	9.0	9.9	-7.5	0.2	1.5	4.5	4.0	4.4	2.9
Agriculture	8.4	10.3	-8.1	0.0	1.4	4.6	4.1	4.5	2.8
Food crops	9.3	11.2	-6.9	-0.3	1.5	4.8	4.1	5.0	2.7
Livestock	-0.5	0.7	-0.6	2.4	-0.5	2.8	4.2	-0.5	3.5
Forestry	2.6	3.1	2.6	2.7	2.8	2.8	2.9	3.0	2.8
Fishing	0.0	-0.5	17.9	-0.4	-0.4	0.8	12.3	-0.4	15.0
Construction	2.7	3.1	2.8	2.9	2.8	2.7	2.7	3.0	5.1
Imputed Rent	2.6	3.0	2.8	2.8	2.8	2.8	2.8	2.8	5.0
TOTAL GDP	11.9	15.3	-16.9	3.7	0.8	12.5	13.9	12.7	6.6
GDP/CAPITA (USh 000)	10.4	14.4	-22.2	6.3	0.8	11.4	12.5	11.7	5.6

Source: Calculated from Table 1a

Table 1a
Sectoral Share of GDP 1981-90 (Constant (1987) Prices)
(Percent)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
MONETARY	55.6	54.6	53.6	53.1	53.8	53.4	54.2	55.6	56.5	56.6
Agriculture	30.0	28.9	28.0	26.3	27.5	27.2	27.3	27.6	27.8	27.6
Cash Crops	2.5	3.7	3.2	3.3	3.4	3.3	3.2	2.8	2.9	2.5
Food Crops	15.8	14.1	14.5	12.4	14.4	15.0	15.5	16.1	16.7	16.7
Livestock	10.1	9.5	8.8	8.8	7.9	7.2	8.9	7.0	8.7	8.7
Forestry	0.7	0.7	0.6	0.7	0.6	0.6	0.6	0.7	0.6	0.6
Fishing	1.0	0.9	0.9	1.2	1.1	1.1	1.1	1.0	1.0	1.1
Mining & Quarrying *	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Manufacture	3.6	4.0	4.0	4.2	3.7	3.5	3.9	4.4	4.9	5.1
Coffee, cotton, sugar	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.5
Manufactured food	0.2	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.5
Other	3.1	3.3	3.4	3.6	3.2	3.0	3.3	3.7	4.1	4.1
Electricity & water	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Construction	1.5	1.6	1.8	1.9	1.6	1.3	1.7	2.1	2.1	2.3
Retail & wholesale	11.8	11.4	11.2	10.7	10.9	10.6	10.8	11.3	11.5	11.6
Transport & Communic.	2.5	2.5	2.5	3.0	3.1	3.4	3.3	3.3	3.5	3.4
Road	1.3	1.3	1.4	1.6	1.9	2.1	2.1	2.2	2.2	2.1
Rail 0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	
Air 0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.2	
Communications	0.7	0.7	0.7	0.8	0.8	0.9	0.8	0.8	0.8	0.8
Community Services	6.3	6.2	6.0	6.9	7.0	7.2	7.0	6.7	6.5	6.5
General Government	2.6	2.5	2.4	2.6	2.8	2.6	2.5	2.3	2.2	2.2
Education	0.9	0.9	1.0	1.2	1.3	1.4	1.4	1.3	1.3	1.3
Health	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.2	0.2	0.2
Rents	2.3	2.3	2.2	2.5	2.6	2.7	2.8	2.8	2.5	2.5
Other	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
NON-MONETARY	44.4	45.4	46.4	46.9	46.1	46.6	45.8	44.4	43.5	43.4
Agriculture	41.6	42.6	43.7	43.8	43.0	43.5	42.8	41.6	40.8	40.6
Food crops	37.4	38.7	40.1	39.9	39.0	39.5	38.9	37.8	37.2	37.0
Livestock	3.3	3.1	2.8	3.2	3.2	3.2	3.1	3.0	2.8	2.8
Forestry	0.7	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.6
Fishing	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.2
Construction	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.1	0.1	0.1
Imputed Rent	2.7	2.7	2.5	2.9	2.8	3.0	2.9	2.7	2.6	2.7
TOTAL GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* Less than 0.05 percent

Source: Calculated from Table 1a

Table 2a
Monetary Survey: Nominal Money Supply
(Billion Shillings, End Quarter)

	Currency in Circ.	Demand Deposits	M_1	Quasi Money	M_2	Currency Reval.	Real M_2
1985 I	0.63	0.78	1.41	0.20	1.61	-1.19	0.42
II	0.66	0.91	1.57	0.25	1.82	-1.30	0.52
III	0.76	1.08	1.84	0.31	2.15	-1.31	0.84
IV	1.05	1.21	2.26	0.36	2.62	-2.17	0.45
1986 I	1.73	1.55	3.28	0.50	3.78	-3.42	0.36
II	1.98	1.95	3.93	0.59	4.52	-3.38	1.14
III	2.45	2.54	4.99	0.74	5.73	-3.31	2.42
IV	3.58	2.61	6.19	1.06	7.25	-3.31	3.94
1987 I	4.15	3.04	7.19	1.29	8.48	-3.28	5.20
II	4.17	3.63	7.80	1.02	8.82	-3.28	5.54
III	6.21	4.87	11.08	1.26	12.34	-3.28	9.06
IV	9.08	7.47	16.55	2.01	18.56	-3.28	15.28
1988 I	12.14	9.22	21.36	2.13	23.49	-11.77	11.72
II	14.30	9.81	24.11	2.61	26.72	-11.77	14.95
III	17.63	12.86	30.49	2.77	33.26	-29.52	3.74
IV	20.02	15.95	35.97	3.22	39.19	-32.27	6.92
1989 I	25.35	21.07	46.42	4.26	50.68	-38.65	12.03
II	29.16	25.09	54.25	5.91	60.16	-38.65	21.51
III	31.16	27.73	58.89	7.33	66.22	-38.65	27.57
IV	36.71	32.87	69.58	9.52	79.10	-72.47	6.63
1990 I	38.65	36.52	75.17	12.56	87.73	-74.27	13.46
II	38.60	42.80	81.40	13.03	94.43	-86.80	7.63
III	41.99	43.61	85.60	17.84	103.44	-96.22	7.22
IV	50.24	47.66	97.90	19.30	117.20	-111.85	5.35
1991 I	54.71	52.80	107.51	22.12	129.63	-132.45	-2.82

Table 2b
Monetary Survey: Quarterly Growth Rate
(annualized, percent)

	Currency in Circ.	Demand Deposits	M_1	Time & Savings Deposits	M_2
1985 II	20.5	85.3	53.7	144.1	63.3
III	75.8	98.4	88.7	136.4	94.7
IV	264.3	57.6	127.6	81.9	120.5
1986 I	636.9	169.3	343.7	272.1	333.3
II	71.6	150.5	106.1	93.9	104.4
III	134.4	187.9	159.9	147.5	158.3
IV	355.9	11.5	136.8	321.0	156.3
1987 I	80.6	84.0	82.0	119.3	87.2
II	1.9	103.3	38.5	-60.9	17.0
III	391.8	224.0	307.2	132.9	283.2
IV	357.1	453.6	397.8	547.6	411.7
1988 I	219.5	132.1	177.5	26.1	156.6
II	92.5	28.2	62.3	125.4	67.4
III	131.0	195.3	155.8	26.9	140.1
IV	66.3	136.6	93.7	82.6	92.8
1989 I	157.1	204.5	177.4	206.3	179.7
II	75.1	101.1	86.5	270.4	98.6
III	30.4	49.2	38.9	136.6	46.8
IV	92.6	97.4	94.9	184.5	103.6
1990 I	22.9	52.4	36.2	203.0	51.3
II	-0.5	88.6	37.5	15.8	34.2
III	40.0	7.8	22.3	251.4	44.0
IV	104.9	42.7	71.1	37.0	64.8
1991 I	40.6	50.6	45.4	72.5	49.7

Table 2c
Monetary Survey: Components of Broad Money

	Percent of Broad Money				Other Ratios (Pct)	
	Currency in Circ.	Demand Deposits	Time, Savings Deposits	M_2	M_2/GDP *	Currency /DD
1983 II	36.0	41.5	22.9	100.0	11.5	86.7
1984 II	38.0	43.6	18.7	100.0	10.1	87.2
1985 IV	40.1	46.2	13.7	100.0	8.5	86.8
1986 IV	49.4	36.0	13.2	100.0	8.9	137.2
1987 IV	48.9	40.2	13.1	100.0	5.1	121.6
1988 IV	51.1	40.7	12.9	100.0	5.4	125.5
1989 IV	46.4	41.6	14.6	100.0	6.0	111.7
1990 IV	42.9	40.7	15.2	100.0	6.2(E)	105.4
1991 I	42.2	40.7	11.6	100.0	n.a.	103.6

* M_2 measured at mid-year, not at end of quarter given at left.

Table 2d
Monetary Survey: Domestic Credit

	Billion Shillings			Percentage Share in Credit of:		Growth Rate (Annualized)	
	Claims on Govt (net)	Claims on Pvt Sector	Total Domestic Credit	Govern-ment	Private Sector	Govern-ment	Private Sector
1985 I	0.96	0.87	1.83	52.5	47.5		
II	0.97	0.98	1.95	49.7	50.3	4.2	61.0
III	1.08	1.10	2.18	49.5	50.5	53.7	58.7
IV	1.42	1.15	2.57	55.3	44.7	198.9	19.5
1986 I	1.66	1.70	3.36	49.4	50.6	86.8	377.5
II	1.54	1.62	3.16	48.7	51.3	-25.9	-17.5
III	1.52	2.07	3.59	42.3	57.7	-5.1	166.6
IV	2.47	2.98	5.45	45.3	54.7	597.3	329.5
1987 I	2.79	3.33	6.12	45.6	54.4	62.8	55.9
II	4.62	3.65	8.27	55.9	44.1	651.9	44.3
III	2.84	5.80	8.64	32.9	67.1	-85.7	537.6
IV	3.51	8.25	11.76	29.8	70.2	133.3	309.4
1988 I	6.79	11.09	17.88	38.0	62.0	1300.4	226.5
II	4.86	12.29	17.15	28.3	71.7	-73.8	50.8
III	6.12	13.64	19.76	31.0	69.0	151.5	51.7
IV	9.11	16.57	25.68	35.5	64.5	391.0	117.8
1989 I	8.04	26.32	34.36	23.4	76.6	-39.3	536.6
II	10.19	42.59	52.78	19.3	80.7	158.0	585.6
III	3.46	51.36	54.82	6.3	93.7	-98.7	111.5
IV	7.45	56.44	63.89	11.7	88.3	2049.4	45.8
1990 I	5.23	65.74	70.97	7.4	92.6	-75.7	84.1
II	9.20	70.46	79.66	11.5	88.5	857.5	32.0
III	9.87	76.26	86.13	11.5	88.5	32.5	37.2
IV	10.58	90.88	101.46	10.4	89.6	32.0	101.7
1991 I	2.26	99.64	101.90	2.2	97.8	-99.8	44.5

3. Monetary and Exchange Rates

Table 3a: Structure of Interest Rates

	BOU Redis-count	T-Bill 91 day	Demand Deposit	Commercial Bank Saving Deposit	Commercial Bank Time * Deposit	Lending Rate Range	
				(Nominal)			
1984 July	23.0	22.0	5.0	18.0	22.0	24.0[a]	25.0[b]
Dec	23.0	22.0	5.0	18.0	22.0	24.0[a]	25.0[b]
1985 July	23.0	22.0	5.0	18.0	22.0	24.0[a]	25.0[b]
Dec	23.0	22.0	5.0	18.0	22.0	24.0[a]	25.0[b]
1986 July	35.0	35.0	10.0	28.0	35.0	38.0[a]	40.0[b]
Dec	35.0	35.0	10.0	28.0	35.0	38.0[a]	40.0[b]
1987 July	32.0	28.0	7.0	18.0	22.0	22.0[c]	30.0[d]
Dec	32.0	28.0	7.0	18.0	22.0	22.0[c]	30.0[d]
1988 July	38.0	38.0	15.0	28.0	32.0	32.0[c]	40.0[d]
Dec	38.0	38.0	15.0	28.0	32.0	32.0[c]	40.0[d]
1989 July	48.0	43.0	20.0	33.0	37.0	25.0[e]	25.0[d]
Dec	48.0	43.0	20.0	33.0	37.0	25.0[e]	50.0[d]
1990 July	48.0	43.0	20.0	33.0	37.0	25.0[e]	50.0[d]
Dec	43.0	39.0	18.0	30.0	33.0	36.0[e]	45.0[f]
1991 Feb	38.0	31.0	12.0	28.0	31.0	32.0[e]	39.0[f]
				(Real**)			
1984 July	-17.5	-18.5	-35.5	-22.5	-18.5	-16.5[a]	-15.5[b]
Dec	-78.9	-79.9	-96.9	-83.9	-79.9	-77.9[a]	-76.9[b]
1985 July	-102.2	-103.2	-120.2	-107.2	-103.2	-101.2[a]	-100.2[b]
Dec	-67.9	-68.9	-85.9	-72.9	-68.9	-66.9[a]	-65.9[b]
1986 July	-146.5	-146.5	-171.5	-153.5	-146.5	-143.5[a]	-141.5[b]
Dec	-321.4	-321.4	-346.4	-328.4	-321.4	-318.4[a]	-316.4[b]
1987 July	-223.1	-227.1	-248.1	-237.1	-233.1	-233.1[c]	-225.1[d]
Dec	-130.5	-134.5	-155.5	-144.5	-140.5	-140.5[c]	-132.5[d]
1988 July	-151.0	-151.0	-174.0	-161.0	-157.0	-157.0[e]	-149.0[d]
Dec	-81.3	-81.3	-104.3	-91.3	-87.3	-87.3[e]	-79.3[d]
1989 July	-16.6	-21.6	-44.6	-31.6	-27.6	-39.6[e]	-39.6[d]
Dec	-18.9	-23.9	-46.9	-33.9	-29.9	-41.9[e]	-16.9[d]
1990 July	25.4	20.4	-2.6	10.4	14.4	2.4[e]	27.4[d]
Dec	17.7	13.7	-7.3	4.7	7.7	10.7[e]	19.7[f]
1991 Feb	15.6	8.6	-10.4	5.6	8.6	9.6[e]	16.6[f]

* Minimum one year

** Real rates approximate, using 12-month changes Kampala CPI.

a. Agriculture, export, mfg.

b. Commerce (add 1-2 points for unsecured)

c. Minimum, short-term (various maxima)

d. long-term (exceeding one year)

e. minimum

f. maximum

Source: BOU.

Table 3b
Exchange Rates
Ugandan Shillings Per US Dollar

	Official Rate	Alternate	Parallel Market Rate[a]	Overvaluation[b] (Pct Mkt Rate)
1981 I	7.87			
II	76.75			
III	80.52			
IV	85.56			
1982 I	85.83			
II	94.17			
	Window 1[c]	Window 2[c]		
III	99.07	300.00		
IV	104.84	240.00		
1983 I	116.59	236.00		
II	138.80	290.00	255.0[d]	51.0
III	176.28	271.00		
IV	233.81	302.50	289.0	34.6
1984 I	274.13	320.45		
II	307.20[e]		314.0	11.1
III	400.00			
IV	551.57		445.0	0.0
1985 I	578.81			
II	600.00		1267.0	54.8
III	600.00			
IV	1275.00		2111.0	63.5
1986 I	1480.00[f]			
II	1400.00[f]	5000.00[g]	4108.9	64.5
III	1400.00[f]			
IV	1400.00[f]		8146.0	82.8
1987 I	1400.00[f]			
II	60.00[h]		na	na
III	60.00			
IV	60.00		191.5	68.7
1988 I	60.00			
II	60.00		362.4	83.4
III	150.00[i]			
IV	165.00		448.4	66.0
1989 I	200.00		450.0	56.0
II	200.00	400.00[j]	620.0	68.0
III	200.00		610.0	67.2
IV	370.00		751.0	50.7
1990 I	379.00		642.0	41.0
II	400.00		657.0	39.1
III	480.00		730.87	34.3[k]
IV	540.00		768.50	29.7
1991 I	620.00		814.70	23.9
II	700.00		907.00[l]	22.8

(continued...)

Table 3b, cont.

Notes to Table 3b:

a. Kibanda (parallel) market through June 1990, Forex Bureaux beginning July 1990.
b. Some commentators compare the markets in terms of the premium placed on free market foreign exchange, valued at official market rates. The formulae, which are related, are:

$$\text{1. Premium formula} \quad \frac{\text{Market} - \text{Official}}{\text{Official}} \qquad\qquad \text{2. Overvaluation formula} \quad \frac{\text{Market} - \text{Official}}{\text{Market}}$$

c. August 1982-June 1984:
   Window 1: Official transactions and oil imports
   Window 2: All others through weekly forex auction.
c. Kibanda rates (and differential) are average for semester, FEB rates are average for month.
e. June 1984: unification of two rates at auction market rate.
f. "Fixed priority" exchange rate
g. "Market" (dual) exchange rate May-August 1986
h. Exchange rate based in New Uganda shillings; 77 percent devaluation May 1987
i. Devaluation July 1988, successive mini-devaluations thereafter.
j. SIP II June-Oct. 1989.
k. Forex Bureaux legalized 2 July, retention accounts abolished for non-coffee export earnings.
l. Surprise forex auction held by BOU June 1991.

Source: Bank of Uganda, Stamp PLC.

Table 3c
Indicators of Inflation

	GDP Deflator 1987 = 100	Middle-Income COL Kampala 1981 = 100	New Consumer Price Index Kampala 1988 = 100
1982	34.0		
1983	43.9		
1984	75.6		
1985	153.9		
1986	134.8	356.4	
1987	223.8	181.8	
1988	162.8	119.3	
1989	90.1	n.a.	82.4
1990	n.a.	n.a.	35.3
1991/I*	n.a.		39.0

* Annualized using monthly data
Source: BOU, MPED.

Table 4a
Balance of Payments 1982-1990
(US$ Million)

	1982	1983	1984	1985	1986	1987	1988	1989	1990
CURRENT ACCOUNT:	-69.9	-72.3	107.1	77.0	-4.2	-169.8	-194.1	-258.5	-283.3
Trade Balance	-74.9	-60.4	65.7	114.9	-69.3	-300.8	-354.5	-462.3	-439.8
Exports f.o.b.	347.1	367.7	407.8	379.0	406.7	333.7	272.8	277.7	177.8
Imports c.i.f.	-422.0	-428.1	-342.3	-264.1	-476.0	-634.5	-627.4	-740.0	-617.6
Services (net)	-102.3	-116.4	-44.0	-66.9	-143.5	-113.6	-126.9	-108.8	-116.5
(Interest) a/	-26.3	-51.0	-36.8	-21.0	-47.4	-18.3	-24.1	-24.4	-47.8
Transfers	107.3	103.5	86.4	81.0	208.7	244.6	287.3	311.6	293.0
CAPITAL ACCOUNT:	14.6	27.7	-66.3	-27.4	51.1	142.3	54.7	317.5	177.5
MT & LT (net)	26.2	23.9	32.1	14.6	38.4	137.9	167.9	298.6	217.6
Inflows	96.8	163.7	120.8	86.6	128.5	213.6	217.3	481.1	314.0
Disbursements	70.0	112.8	109.7	86.6	128.5	190.0	207.6	369.1	314.0
Rescheduled	16.8	11.1	-	-	-	9.7	9.7	6.0	n.a.
Rescheduled Arrears	10.0	39.8	11.1	-	-	23.9	-	96.0	n.a.
Outflows	-70.6	-139.8	-88.7	-71.0	-90.1	-75.7	-49.5	-182.5	-96.4
Amortization	-43.8	-88.9	-77.6	-71.0	-90.1	-42.1	-38.8	-86.5	-96.4
Rescheduled	-16.8	-11.1	-	-	-	9.7	-9.7	-6.0	n.a.
Rescheduled Arrears	-10.0	-39.8	-11.1	-	-	-23.9	-	-96.0	n.a.
Sort-term (net)	-11.6	3.8	-120.4	-42.0	12.7	4.4	-113.1	18.9	-40.1
Commercial banks (net)	-8.3	-1.0	-23.2	-20.0	-	-	-	40.6	-26.3
Trade credits (net)	-3.3	4.8	-87.2	-22.0	12.7	7.0	-124.3	0.0	0.0
Barter	-	-	-	-	-	-28.7	-10.6	-21.9	5.7
Arrears net incl elsewhere							41.5	n.a.	
Other	-	-	-	-	-	26.1	21.8	-41.4	-19.5
NET CHANGE IN ARREARS c/	22.4	8.3	-77.3	17.3	44.3	*9.1	142.0	-41.5	n.a.
BALANCE OF PAYMENTS c/	-32.9	-36.3	-58.5	66.9	91.2	-8.5	2.6	16.5	-85.8
FINANCING:	32.9	36.3	58.5	-66.9	-91.2	8.5	-2.6	-16.5	85.9
Monetary authorities f/									
Change in reserves g/	-34.3	-29.2	58.2	29.6	0.7	-19.0	-1.6	2.3	11.6
IMF (Net) h/	82.3	86.4	-10.2	-88.5	-108.4	-6.9	5.6	-18.8	40.0
Exceptional financing	-	-	-	-	-	-	-	-	34.8
Errors & omissions, other	-15.1	-20.9	12.5	-7.0	16.5	34.3	-6.6	0.0	-0.4

a/ Some interest payments recorded under repayment of principal
b/ Matching rescheduled items appear as both inflow and outflow
c/ Arrears included in balance (+) increase (-) decrease
d/ External debt repayments under barter arrangement
e/ Includes net barter trade balance
f/ End of period: (+) increase net liabilities (-) decrease
g/ (+) decrease in gross reserves (-) increase
h/ net of changes in exchange rate fluctuations of dollar

Source: Bank of Uganda, in Background to the Budget 1990-91, 1991-92

Table 4b
Exports of Principal Agricultural Goods

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991(E)
Quantity (Metric tons)										
Coffee (000)	175	144	133	152	141	148	144	176	142	116
Tea	1200	1300	2500	1200	2800	2100	3079	3195	4760	6369
Cotton	1800	7000	6700	9553	4875	3443	2088	2321	3808	na
Tobacco	0	700	700	300	0	0	39	490	1922	na
Value (US$ 000)										
Coffee (000)	349	346	360	349	394	308	265	263	142	127
Tea	800	1200	3300	1000	3100	1900	3079	3194	3566	5387
Cotton	3200	11200	12100	13979	5086	4097	2968	4020	5795	na
Tobacco	0	900	1500	400	0	0	58	569	2191	na
TOTAL:	353	360	377	364	402	313	271	271	153	
Exports FOB*	347	368	408	379	407	334	266	278	178	
Share Coffee	50.3	39.2	32.7	40.0	34.6	44.4	54.2	63.5	80.1	
Share All:	101.8	97.8	92.3	96.0	98.9	94.0	101.9	97.4	86.1	

* Export sum and exports these products drawn from different data bases, so "share" is indicative.

Source: Background to the Budget, 1990-91, 1991-92.

5. Fiscal Data

Table 5a
Government of Uganda 1990/91 budget and realization:

(USh millions)	Estimate 1990/91	Estimate April	Actual April	Percentage Est ann.	Distrib. Actual
TOTAL INFLOW OF FUNDS:	275,060	22,910	9,042	100%	100%
Loans	94,891	7,908	0	34.5%	0.0%
Project	35,195	2,933		12.8%	
Import support	59,696	4,975		21.7%	
Treasury Bills	1,500	125	743	0.5%	8.2%
Grants	37,463	3,122	0	13.6%	0.0%
Project	28,162	2,347		10.2%	
Import support	9,301	775		3.4%	
SIP (II)	0			0.0%	0.0%
TOTAL REVENUE (INCL NONTAX)	141,206	11,756	8,299	51.3%	91.8%
Total taxes, fees, licenses	138,603	11,539	8,239	50.4%	91.1%
Income Tax	13,131	1,094	1,635	4.8%	18.1%
Pay-As-You-Earn (PAYE)	700	58	110	0.3%	1.2%
Income tax (not PAYE)	12,431	1,036	1,524	4.5%	16.9%
Export Taxes	23,906	1,992	1,126	8.7%	12.5%
Coffee (mon. trade)	23,906	1,992	1,126	8.7%	12.5%
Coffee (barter trade)				0.0%	0.0%
Customs duties:	43,111	3,593	1,753	15.7%	19.4%
Petroleum prods	31,775	2,648	1,441	11.6%	15.9%
Other	11,336	945	312	4.1%	3.5%
Excise Duties:	9,418	785	959	3.4%	10.6%
Cigarettes	4,343	362	512	1.6%	5.7%
Beer	3,510	293	315	1.3%	3.5%
Uganda Waragi/Spirits	258	22	15	0.1%	0.2%
Soft drinks	1,267	106	116	0.5%	1.3%
Soap	41	3	0	0.0%	0.0%
Other	0	0	0	0.0%	0.0%
Sales taxes:	40,651	3,388	2,309	14.8%	25.5%
Imported goods	14,469	1,206	478	5.3%	5.3%
Local products:	26,182	2,182	1,831	9.5%	20.2%
Cigarettes	8,032	669	552	2.9%	6.1%
Beers	6,551	546	641	2.4%	7.1%
Soft drinks	3,843	320	206	1.4%	2.3%
Textiles	1,486	124	42	0.5%	0.5%
Wheat flour	2,778	232	68	1.0%	0.8%
Uganda Waragi/Spirits	481	40	35	0.2%	0.4%
Soap	981	82	58	0.4%	0.6%
Other	2,030	169	228	0.7%	2.5%
C.T.L.	2,294	191	191	0.8%	2.1%
Fees & Licenses	6,092	496	266	2.2%	2.9%
Fees & Lic. (Traffic Act)	2,889	241	121	1.1%	1.3%
Drivers Permits	101	8	12	0.0%	0.1%
Freight Chg/Temp Road Lic	138		11	0.1%	0.1%
Revenue Stamps, Embossing fees, stamp duty	456	38	58	0.2%	0.6%
Airport service chg	396	33	36	0.1%	0.4%
Commission on imports	1,676	140	0	0.6%	0.0%
Road user charge	436	36	28	0.2%	0.3%

Other nontax revenue:	2,603	217	60	0.9%	0.7%
Kenya compensation	0	0	0	0.0%	0.0%
Dividends for Government	421	35	0	0.2%	0.0%
Appropriations in aid	1,021	85	0	0.4%	0.0%
Repayments fr parastatals	200	17	0	0.1%	0.0%
Central purchasing unit	961	80	60	0.3%	0.7%
Sale of properties	0	0	0	0.0%	0.0%
Misc. receipts	0	0	0	0.0%	0.0%

Table 5b
Government of Uganda 1990/91 budget and realization
Detail

	(USh millions)			Percent	
	Duties & Excise	Sales Tax	Total	Pct.	Cumul. Pct.
Duties on Petroleum prods	31,775		31,775	11.6%	11.6%
Coffee export tax	23,906		23,906	8.7	20.2
Sales Tax, Imported goods	14,469		14,469	5.3	25.5
Cigarettes	4,343	8,032	12,375	4.5	30.0
Beer	3,510	6,551	10,061	3.7	33.7
Soft drinks	1,267	3,843	5,110	1.9	35.5
Wheat flour	2,778		2,778	1.0	36.5
Textiles	1,486		1,486	0.5	37.1
Soap	41	981	1,022	0.4	37.4
Uganda Waragi/Spirits	258	481	739	0.3	37.7
Other	11,336	2,030	13,366	4.9	42.6
Total:	95,168	21,918	117,086	42.6%	
Percent:	34.6%	8.0%	42.6%		

FY 1990/91 Budget Estimates

Assistance	48.7 %	
Revenue	50.4	
Nontax Revenue	0.9	
Revenues:	50.4 %	100.0 %
Fees & Licenses	2.2	4.3
Customs & Excise	34.6	67.3
Sales Tax	8.0	15.5
Income Tax (PAYE = 0.3%)	4.8	9.3
C.T.L. 0.8	1.6	
Other nontax revenue	0.9	1.9

Almost a half (49 percent) of government revenues from assistance; more than 1/3 Gov't revenues from taxes on five items.

6. Financial System

Table 6a
List of Financial Instititions as of 31 Dec. 1990

1. Commercial Banks with Branch Network

	Central	Mbarara	Mbale	Jinja	Masaka	Arua	Fort Portal	Masindi	Gulu	TOTAL
Indigenous										
Uganda Commercial Bank	48	28	23	21	18	18	14	14	8	188
Co-operative Bank (U), Ltd.	6	5	3	1	1	1	2	2	3	24
Gold Trust Bank (U), Ltd.	2				1					3
Teefe Trust Bank Ltd.	1									1
Nile Bank	2									2
Expatriate										
Barclay's Bank (U) Ltd.	4			1						5
Bank of Baroda (U) Ltd.	2		1	1	1					5
Grindlay's Bank (U) Ltd.	1									1
Std. Chartered Bank (U) Ltd.	1									1
Libyan Arab Uganda Bank for Foreign Trade & Devt.	1			1	1					3

2. Development Banks

East African Development Bank
Uganda Development Bank

3. Money Lenders

Interstate Finance (U) Ltd.
Credit Union (U) Ltd.

4. Credit Institutions

	Branches
Diamond Trust of Uganda, Ltd.	1
Grindleys Bank Intl (U) Ltd.	1
Standard Chartered Finance Ltd.	1
Housing Finance Company of Uganda Ltd.	2
Ugadev Bank Ltd.	2
Sembule Investment Finance Ltd.	3
International Credit Bank Ltd.	1
Rapid Finance and Credit Ltd.	1
Centenary Rural Development Trust Ltd.	3
Mercantile Credit Bank Ltd.	1

5. Building Societies

	Branches
Continental Building Society	1
Alliance Building Society	1
Premier Building Society *	6
Equator Building Society *	-
Uganda Building Society	-
Mbale Building Society	1
E.A. Building Society	-
U.N.A.F. Building Society	-
United Building Society	-
Prudential Building Society	-

* Failed since 31 Dec. 1990

6. Insurance Companies

	Branches
Uganda American Insurance Company	2
Statewide Insurance Company	2
Golden Gate Insurance Company	2
Transitate Insurance Company	2
Platinum Insurance Company	1
Co-operative Insurance Company	1
Global Insurance Company	1
National Insurance Company	1
East African Insurance Company	1
United Assurance Company	1
Midland Insurance Company	1
Universal Insurance Company	1
Pan World Insurance Company	1
Interstate Insurance Company	1

(continued...)

Table 6a, cont.

7. Foreign Exchange Bureaux

Bank Bureaux

Bank of Baroda (U) Forex Bureau
Barclays Bank (U) Forex Bureau
Cooperative Bank Forex Bureau
Gold Trust Forex Bureau, Ltd.
Grindlays Bank (U) Forex Bureau
Libyan Arab Uganda Bank Forex Bureau Ltd.
Nile Bank Forex Bureau Ltd.
Stanchart Forex Bureau
Tesfa Trust Bank Forex Bureau
Uganda Commercial Bank Bureau de Change
Uganda Commercial Bank Forex Bureau (Entebbe)
Uganda Commercial Bank Forex Bureau (Malaba)
Uganda Commercial Bank Forex Bureau (Nile)

Private Bureaux

Afro Forex Bureau, Ltd.
Almata Forex Bureau
Athina Club Forex Bureau, Ltd.
Bonnau Forex Bureau
B.T.S. Forex Bureau, Ltd.
Cash Point Forex Bureau
Caresorp International Forex Bureau, Ltd.
Crane Forex Bureau
Dambe Forex Bureau
Diamond Trust Forex Bureau
Dominion Forex Bureau de Change Ltd.
El Thige Forex Bureau
Give and Take Forex Bureau
International Forex Bureau de Change
Interstate Forex Bureau, Ltd.
Kiseesi Forex Bureau
Metropolitan Forex Bureau
Musicraft Forex Bureau
Orient Forex Bureau
Rapid Finance Forex Bureau *
Rex Forex Bureau, Ltd.
Safari Forex Bureau, Ltd. (Kampala Road)
Safari Forex Bureau, Ltd. (Kampala Sheraton) *
Safari Forex Bureau, Ltd. (Kimathi Avenue)
Sambule Forex Bureau, Ltd.
Speed Bird Forex Bureau, Ltd.
Sunset Forex Bureau
Travellers Bureau de Change Ltd.

* Bureaux not operational as of 31 December 1990

Source: Bank of Uganda Quarterly Economic Report Vol. 4, 1990.

Table 6b
Forex Transactions 1990

	No. Bureaux		Purchases (US$ millions)		Sales (US$ millions)		Net Purchases (US$ millions)	
	Reg.	Active	BOU	Budg	BOU	Budg	BOU	Budg
1990:								
July			1.54	1.76	0.93	1.14	0.61	0.62
August			4.01	4.76	3.84	4.05	0.17	0.62
September	30	25	4.09	4.94	3.94	4.14	0.15	0.80
October			5.56	6.21	6.05	6.25	-0.49	-0.04
November			6.45	6.90	5.94	6.12	0.51	0.78
December	41	33	4.28	4.95	3.89	6.69	0.39	-1.73
Total (6 mo):			25.91		24.58			
(Of Which: Commercial Bank Bureaux			61.7 %		67.6 %			
Private Bureaux			39.3 %	32.4 %				
1991:								
January				7.78		7.61		0.17
February				8.16		8.10		0.07
March				9.08		8.59		0.49
April				8.49		7.18		1.31
May				9.65		11.70		-2.05

Source: BOU: BOU Quarterly Economic Report Vol 4, 1990;
Budg: Background to the Budget 1991-1992 (Both series reported due to slight differences)

ANNEX C-1

GOVERNMENT REVENUE AND FISCAL REFORM

ANNEX C-1
GOVERNMENT REVENUE AND FISCAL REFORM

Introduction

Despite the importance of reducing the direct role of the public sector in the productive economy and in property rights, and notwithgarding minor gains which could be achieved by an immediate and effective civil service reform or by drastic pruning of the share of central government expenditures going to the military, Uganda must generate sustainable domestic resource flows to its government to support essential public services such as education, health, and the supervisory functions of market economies which permit transparent and deep markets to develop and operate. It has not done so. Tax collection is approximately six percent of GDP, which although it is an improvement on 2-3 percent a decade ago is far short of the twenty percent norm for Sub-saharan Africa (and for Uganda itself in the 1960s). To acquire resources for public use requires the development of the fiscal capability of the Government, at all levels from the Village (RC 1) to the District (RC 5) to the National Level.

The NRM Government has found it difficult to restore fiscal and monetary discipline which was destroyed with other institutions in the previous years of mismanagement. Its implementation capacity is weak, a problem exacerbated by the inconsistent allocation of revenue sources and collection responsibility between national and local levels. Structural problems are severe: the central government relies upon receipts from one crop (coffee)[1] and one import (petroleum products) for 48 percent of its (non-donor-funded) revenue in 1990/91. Corrective measures have been delayed by institutions difficult to adapt (such as civil service reform) and due to other pressing problems. External shocks (and the external environment in general) over which the GOU has no control have had severe negative impact on potential revenue sources and hence on collection.

Uganda's fiscal apparatus is handicapped in its institutional development by history. Revenue collection was once the function of the East African Community, the collapse of which was contemporaneous in Uganda with the expulsion of an educated class of civil servants and the collapse of responsible government in general; it has no history of responsible revenue collection to which to return. Uganda has a narrow revenue base from which even an efficient service would have difficulty raising revenue, with the result that marginal tax rates are high (or worse, capricious), and incentives for avoidance and evasion of taxes likewise are high. Neither inept collection methods nor high tax rates deter corruption and smuggling. To add to this, the distribution of the tax base between local and higher levels of government is such that the perception of benefits received is unrelated to tax burden by those who pay many taxes and fees, inciting taxpayer resistance. At the same time, assignment of collection responsibilities under the system complicates revenue collection at the local level.

Four important, closely related issues must be addressed for Uganda to improve its revenue performance in support of necessary public expenditure. They can be classified as 1) burden, 2) buoyancy, 3) evasion, and 4) collection.

Tax burden

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[1] Excluding an indirect tax burden of about a third of the value of the product resulting coffee and petroleum being (the only products) traded at the official exchange rate.

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Capricious aspects of the tax system impose heavy burdens on certain taxpayers while letting others elude payment. This encourages individual discretion (even initiative) on how to classify revenue on the part of tax collectors, and resistance or collusion in tax evasion on the part of taxpayers. It also creates powerful incentives to modify economic activity so as to lower drastically the tax imposed, distorting economic behavior and reducing government revenue. The size and distribution of the tax burden is determined by 1) the tax *base,* which should be broad so that all participants in revenue-generating activity support public activities, 2) tax *rates* which ideally should be low for any single source of income in order to encourage compliance and equitable among members of society,[2] and 3) tax *exemptions* which should be designed for particular social goals and not to channel economic rent-seeking whether to positive (charitable giving) or negative (bribery of civil servants) ends.

The tax base is very narrow. For the Central Government, 95 percent of revenue is provided by excises (over half alone from taxes on petroleum, beer, cigarettes and soda). Widespread exemptions riddled the import tariff schedule in the past, reducing the modal tariff rate from 40 percent to six percent actually collected; this has been largely eliminated since 1989. Direct taxes provide around nine percent of total revenue (compared to 29 percent for the reference group of all lower-income countries). This is due to uncalled-for exemptions, to low compliance (90 percent of income tax is collected in Kampala, partially due to lack of transport for tax collectors), and to the exemption of farmers from income taxation. Income distribution between the Central Government and local governments is determined by a cutoff level of USh 480,000 (in 1991) which is a threshhold level for payment of income taxes and a ceiling level for liability for the local Graduated Personal Tax (GPT).

At the district level this is reversed: direct taxes (particularly the GPT, for income up to and including the threshhold for central government taxation) provide 77 percent of the budgeted receipts in Mbarara District, while license fees provide 21 percent and other income only two percent. Collections are considerably less than the figure budgeted, so the share may vary in application. Districts collect market fees on behalf of the national government. There is no land tax, though urban authorities have a land rental fee for urban structures. The threshhold for the national government income tax provides a ceiling for income subject to GPT.

Many district and local taxes, which are derived from a colonial schedule still shared with neighboring countries, serve more as nuisance taxes than as sources of revenue. Several are given only notional entries in the annual budget, since the revenue cannot be predicted in advance. Some of these, and others besides, probably cost more to collect than they generate and may be kept only for reasons of perceived equity. Also, some of these are actively avoided not for their own burden but because compliance is a means of admission to the 'formal sector' with the difficulties of regulation and taxation elsewhere that that implies.

A parallel revenue authority of the central government in the district is responsible for mining licenses, timber fees and other fees which are not shared with the district. The Central Government's income tax is collected through its own apparatus, not that used for collection of the GPT, with attendant inconsistencies and overlapping.

Villages and other local units (RCs 1, 2 and 3) have further problems, since their revenue is largely voluntary contributions although they collect revenue for the District. Revenue-sharing is

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[2] This is not to ignore the use of high rates of taxation on luxuries or to discourage undesirable sorts of activity as an alternative to prohibition when that is unworkable.

provided for between the District and these levels, with 20 percent target, but this target is observed in the breach more than in the observance: RC-3 report receiving between two and ten percent of revenues mobilized.

Issues concerning the district and local revenue base, and overlapping jurisdictional problems in tax administration, are treated more completely in Annex C-2, Governance and Institutional Effectiveness.

Tax rates applied to this base are sometimes high, as the tax authorities attempt to generate revenue from a small base. High rates invite avoidance and evasion. Trade or road taxes — when not avoided by smuggling — tax away the comparative advantage to the district or the country in trade, since the commodity taxed is likely to be that which is produced in abundance (that is, exports). The best known export tax, that on coffee, has been reduced strongly in the 1991/92 budget (to five percent for Robusta and 20 percent for Arabica; in addition taxes will be waived "if the total cost of exporting, processing and production is equal or lower than the export realization"). Nevertheless, when added to the indirect tax from forced conversion of export proceeds at the official exchange rate implies that the coffee subsector (producers plus marketers) pay a 26-38 percent "tax" compared to the world price (or 22 percent indirect taxes only when the direct tax is waived due to world prices below cost of production).

There was fierce citizen resistance to an increase in the GPT tax rates (to a maximum of 30,000 on the highest taxable income of USh 480,000 or six percent of revenue) which was necessary for taxes to keep up with inflation. This tax rate is not especially high.

Sales and excise tax and duty rates have been decreased progressively since 1989, and the number of brackets reduced in the name of simplification (Table 1). The penalties imposed for late payment of sales tax have been drastically reduced and related to bank interest rates, to reduce the

	Sales Tax			Excise Taxes			Tariffs		
Uganda FY	89/90	90/91	91/92	89/90	90/91	91/92	89/90	90/91	91/92
Number categories	12	5	5	12	2	2	16	5	5
High rate: (Pct)	120	150	100	120	60	50	350	50	50
Bottom rate:	10	10	10	10	30	30	0	10	20

evasion of extraordinary penalties caused by compounding at high inflation rates. While the mean nominal tariff has declined (from a modal statutory tariff of 40 percent), it has had an uncertain effect on government revenue due to the decreased incentives to misdeclare items on the part of importers and revenue authorities (the average rate effectively received was six percent). The lower rate, severely limited availability of tariff exemptions, and reduced number of categories in which to classify goods, together with Uganda's accession in July 1989 to the Harmonised System of Classification, all serve to reduce both the incentives and the discretion for misdeclaration. This can be expected to continue under the program of the MOF.

The lowering and compression of tariff rates has also had an important reducing and equilibrating effect on the effective rate of protection of domestic enterprise. In this way it can be

expected to contribute to industrial growth among entreprises against which the tariff regime formerly discriminated. In some ways this may be as important as the improved compliance (though industries which escape tax have a comparative advantage all their own), as it will induce a shift in market advantage from less efficient firms to more efficient ones, from import substitution industries to export. This has been abetted by a change in the tax drawback scheme intended to avoid double taxation.

The Commercial Transactions Levy (CTL) imposed on services, trades or professions is still subject to substantial evasion. In the 1990/91 budget it has been extended in scope (to bars and hairdressing) and its two rates (ten and 20 percent) have been reduced to one (ten percent) to lower its burden and reduce possibilities for misdeclaration. Finally, the stamp duty which was imposed to raise revenue has been shown to be an impediment to commerce, so its rate has been lowered from five percent of value of the instrument to one percent, and cheques now exempted to facilitate their use in transactions.

Tax buoyancy

Although tax revenues are low, this reflects in part the government's sharing the burden of the private sector when the economy is in recession. A bouyant tax system should restore tax revenues as the economy recovers. Various aspects of the tax system of Uganda reduce or eliminate such bouyance, and should be addressed so that ultimately growth will resolve problems on the provision of social services.

The bouyancy of the petroleum products tax is difficult to predict. Petroleum is imported at the official exchange rate, and thus it appears to receive a subsidy. It is sold at a fixed price at the pump (raised in the 1990/91 budget from USh 500 to USh 650 per liter for "super"). The difference between the two represents the tax on the product. In 1990/91 this provided the single largest component of the Government revenues, accounting for 12 percent of total tax revenues; the tax was raised in the 1991/92 budget, ostensibly for revenue reasons. As incomes rise, there will be more transportation and travel, increasing tax revenues. However, the revenues themselves are more sensitive to the foreign exchange cost of petroleum and its pump price (plus distribution margins, which further mitigate against distribution to more distant areas of the country when the pump price is fixed). Thus the revenues are determined by forces largely unrelated to national income, and the response of this important tax is uncertain.

In most countries, income taxes are the most responsive form of tax to economic conditions. In Uganda, income taxes (excluding the GPT) account for only 9.3 percent of tax revenue and 4.8 percent of total revenue, about the same as the sales tax on cigarettes. Pay-as-you-earn (PAYE), or withheld taxes, represent only one percent of total revenues. One reason for this is the exemption of non-salary benefits (employer-provided housing in particular) from taxable income. Another is the exemption of civil service salaries from PAYE taxes which was a popular (but meaningless, since most civil service salaries are below the USh 480,000 threshhold for payment of taxes whereas any which are not should certainly be subject to tax) political move.

Coffee export taxes are sensitive both to world prices for coffee and for the tax rate. It appears that much is smuggled, denying the Government these revenues. Other sources of revenue, primarily sales and excise taxes, are proportional to sales of these items and should increase at least as fast as sales.

In general, much must be done to make the major sources of tax revenue more bouyant. Without such reforms, questions which are now intractable such as civil service salaries and O&M expenses for social services cannot be resolved through growth.

Tax evasion

This discussion above has already drawn out the major forms of tax evasion. The formation of the new Revenue Authority in 1991 will provide the negative sanctions and increased inspection capacity. The reduction and consolidation of tax brackets on sales, excise and customs levies should reduce the means and the incentives to evade taxes. The proposal in the 1991/92 budget to have tax payments made through banks will reduce some of the transactions costs of paying taxes (particularly in currency as is usually required) and remove some of the discretion of tax collectors to negotiate "deals". The exemption from PAYE taxes to the civil service, the fact that most non-wage benefits are untaxed (and account for a large share of total real income), and the lack of importance of PAYE in the formal private sector, still provide a serious avenue for tax evasion (many businesses transform their most highly paid workers into consultants so they are exempt from PAYE and able to avoid taxes on their own).

Donors themselves facilitate this, in that most of the benefits such as meeting allowances are exempt from PAYE. A first step in rationalization of the tax code would be for providers of foreign assistance to conform to the desired rules.

The conflicting and overlapping collection mechanisms in the Districts for Local and Central Government taxation are another source of tax evasion.

Collection, corruption, collusion, ... and correction

While tax evasion will not stop when tax rates are lowered and rationalized, this rationalization is an important first step. The Revenue Authority will provide the means for an incentive structure outside that of the under-paid Civil Service, but this should be an extraordinary measure designed for eventual phase-out before corruption (due to venality more than to poverty) becomes institutionalized here also. The GOU is currently on the right track, but would profit from assistance in making its collection system more transparent and particularly more automatic.

The PFP in making its revenue assumptions for the GOU assumes rapid growth in non-traditional exports. Some growth is occuring, and the GOU as well as donors are pleased. The assumption called for growth from $8 million (five percent of exports) in 1990 to $80 million by 1993, a tenfold increase (or an annual growth rate of 75 percent). This is highly optimistic, and the revenue projections will probably not be borne out.

ANNEX C-2

GOVERNANCE AND INSTITUTIONAL EFFECTIVENESS

Annex C-2
Governance and Institutional Effectiveness
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GOVERNANCE AND INSTITUTIONAL EFFECTIVENESS

Introduction

Uganda has acquired a sorry reputation as one of the political disasters of Africa, starting from relative high ground at independence in 1962 and descending to the nadir of national and social dislocation when the Tanzanian army succeeded in dislodging the Amin government and entered Kampala in April of 1979. A series of unsatisfactory governments followed, albeit none of them with the destructive power of the Amin period, and yet none of them able to reverse the cumulative damage of the ten years prior to the rout of Amin. This political history, both colonial and independent, has importance for the political issues and conflicts presently at center stage, and for the directions in which the Museveni government has moved.

Brief Political History

Uganda has not always been perceived as the symbol of violence and incivility in Africa. During the colonial period it gained the reputation of the "pearl of Africa". The pre-colonial interlacustrine kingdoms were admired as among the highest forms of state-formation on the continent, and particularly in its eastern portion. The colony was considered "ahead" of Kenya and Tanzania in its political maturity; it came to independence on October 9, 1962, a year before Kenya.

The Kingdoms. The pre-colonial kingdoms were similar to each other; they were hierarchical, expansionary, competitive, and inwardly-oriented, making the construction of a larger nation-state in the colonial and independent periods doubly difficult. Strong identification with territory and kingdom are expressed even today, although this is not particularly different from other parts of Africa — for example, the very dissimilar, non-hierarchical cultures in neighboring Kenya — nor does it live on in the form of desires to recreate the political institutions of the kingdoms, with the minor exception of elements of the Baganda identified with its royalty.

While it is generally believed that there were four main kingdoms — Buganda, Bunyoro-Kitara, Toro, and Ankole — plus Busoga (with some similar institutions), in fact there were many more, most of them small chiefdoms created by the splitting off of lineages or factions from larger units. In addition, the situation was not static but very fluid. Thus, while Buganda is perceived by recent observers to have played the commanding role during the colonial period (and to have generated bitter resentment both in the other kingdoms and the non-kingdom districts), in fact it was Bunyoro-Kitara which was in the ascendancy during the early nineteenth century. Colonial favoritism shown to Buganda, and the use of Ganda personnel in the lower reaches of government throughout the colony, were part and parcel of the status reversal that began with the early colonial military alliance with the Kabaka (Buganda Ruler). Special resentment of the colonial role in this status reversal plagued the colony throughout its history. Resentment of Baganda hegemony continues to this day, and animates the present discussions over the shape of the constitution being formulated, as discussed below.

The Colony. The colonial importance of Uganda derived from its strategic position at the headwaters of the Nile, originally, thought to be vital to British interests running from Egypt all the way through to its very important Indian possession. A bit later, more importance came to be attached to the suitability of the area as an alternative source for cotton, after the American Civil War forever altered the patterns of British cotton supply and textile manufacture.

What the colony did not become is a settler regime like Kenya, to the east, or parts of Tanzania, to the south. It did not develop initially as a migrant labor reservoir, servicing large mixed

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farms or plantations, but rather on the basis of African peasant commodity production. The extreme forms of labor exploitation characterizing Kenya's Rift Valley were never introduced, the land of the peasantry was not seized, and Ugandan peasants were not prevented from growing high value cash crops such as coffee, as they were in Kenya. Taken together with the major difference in social structure between the two colonies pre-colonially, this more or less guaranteed a very different set of issues and trajectory for the nationalist movement as it inevitably emerged in the post-WWII era, feeding off colonial uprisings throughout the British and French empires.

What *was* set in process in Uganda was a set of regional disparities, which inevitably acquired ethnic overtones. These are summed up quite succinctly by Aidan Southall, one of the leading scholars of Ugandan political and cultural history:

> "This is certainly not to give an unredeemed ethnic interpretation, let alone the 'tribal' interpretation that is the only one the international mass media fancy, without understanding. It is rather to admit that the colonial system crystallized or created ethnic differences, which acquired a regional complexion through its differential policies in economic development and non-development: encouraging cash crop production in the south and migrant labor in the north, permitting intensive education in the south and relative neglect in the north, leading to army recruitment in the north and training for civilian bureaucracy and the professions in the south."(Southall, in Hansen and Twaddle, p.61.)

While these disparities were perhaps unintentional, and efforts were made to redress them in the 1950s in the run-up to self-government, it was too late. By then a major regional split had been created between the north and the south, with ethnic overtones, which the Ugandan government has confronted ever since. This in no way suggests that the leadership accepts the legitimacy of this regional distinction; subsequent events have created further intra-regional schisms, within the north and between the center and west in the southern region. Political alliances span the regions, intellectuals uniformly reject the regional identifications — and yet, this legacy is strong and pervasive, such that one of the central political problems for any Uganda regime is the construction of a governing coalition perceived as regionally balanced. Ultimately, redressing the underlying economic causes of regional imbalance will be critical to political stability.

A final element of the colonial period was the introduction of Asian settlers into the territory, within a regulative regime that gave them virtual monopolistic control over both commodity output marketing and commercial trade and finance. Indeed, regulations during the colonial period covered all manner of economic activity, and were decidedly "anti-market" — compulsory crop planting, communal work, extraction of savings, and other regulations. Thus, Uganda came to independence with a set of deeply embedded regional disparities; a bitterly resented, racially distinct, monopolistic commercial community; and absolutely no experience with the liberal market model enshrined in western ideology, but not in western colonial rule. Needless to say, these handicaps had a lot to do with the disintegration which followed.

Independent Uganda. The progression of post-independence political regimes can be read as Greek tragedy. The merest synopsis of these events is given here; there is still major dispute over the essential details. The definitive recent political history of Uganda has yet to be written.

Uganda came to independence on October 9, 1962, with a Prime Minister (Milton Obote) chosen on the basis of an electoral victory by the Uganda People's Congress (UPC), contested against the Kabaka Yekka (Buganda royalist) and Democratic (Buganda Catholic/ commoner) parties. The

independence constitution strongly entrenched the privileged position of Buganda, and less strongly the other kingdoms, and incorporated a ceremonial president, in the person of the Kabaka himself (Mutesa II). Regional tensions and factional splits within the UPC itself, exacerbated by the phenomenon of "crossing the floor" (that is, elected members from the minority parties switching their allegiance to the UPC), made these arrangements unworkable. Intrigue in Parliament became the order of the day in 1966, leading to Obote's increasingly autocratic rule, to mounting opposition to him, and eventually to his precipitation of a preemptive coup (if a serving Prime Minister can be said to undertake a coup!). The 1962 constitution with its federalist provisions was abrogated, a unitary constitution concentrating power in the Prime Minister's office put in its place, and the Kabaka fled to London in self-exile.

The maneuvers against Obote during this period drove him into the arms of his most loyal military ally, Idi Amin, second in command of the army. (See Akiiki Mujaju for an intriguing interpretation of the events of this fateful period). Even before this, the army was given undue privileges and not put securely under control; with the accession of Amin, the centrality of the military and Obote's need to cater to it were reinforced. Ultimately, Amin's intelligence led to evidence that Obote was about to depose him; Amin launched his own preemptive coup while Obote was in Singapore, and the downward descent into violence and economic disaster began. (Not at first, however; there was substantial British and Israeli support for the Amin government well into its tenure, universal Ugandan support for the expulsion of the Asians, and long-term support from some Baganda allies of Amin's who profited from the dizzying "privatization" of the economy by means of simple expropriation and reallocation. These supporters of Amin's provoke deeply-held mistrust and bitterness in the polity to the present.)

The story of the joint Tanzanian/Ugandan guerrilla overthrow of the Amin government in 1979 is well known. The depths of the destruction caused under the almost-nine years of Amin's misrule can be gauged in part by the difficulties of successor governments in restoring any degree of trust or legitimacy. The Lule and Binaisa governments were too closely connected with the Baganda (the regional factor again), and the latter with Obote, to maintain credibility; they were unable to reverse the pervasive corruption that had developed with the suspension under Amin of all rational economic "rules". Internationally-observed elections in 1980 brought Milton Obote and the UPC back into power (not least because of the perception of Baganda collaboration with Amin). Those elections have been widely reported in recent years as "stolen", with the current President, Yoweri Museveni, among those claiming to have been unfairly treated in the rigging.

Obote's second period of leadership, popularly known as Obote II, restored some economic order and faith, especially on the part of the international community, much to its surprise; given the increasingly leftist tendencies of Obote's first period in office. Obote remained highly unpopular in the south, however, and guerrilla forces continued to harass his regime; Yoweri Museveni and the NRA had returned to the bush, after the defeat of their political party (the UPM) in unfair elections. The period grew increasingly violent as the military under Obote's control — the UNLF — practiced atrocities on southern populations, notably in the Luwero triangle, hitherto thought to be exclusively the preserve of Amin and his Nubian forces. (It should be noted that the UPC's interpretation of these events is that it was the NRA which was ultimately responsible for them, and that the NRA engaged in a good bit of terrorism deliberately, knowing the UNLF would get the blame. While there are no doubt some elements of truth here, most observers would reject it as an inaccurate picture of the essentially-disciplined NRA, and the essentially- undisciplined UNLF).

Other rebel armies also operated, including those from Amin's home area who wanted him to be reinstalled. Splits within the UNLF high command, based on perceived maltreatment of the Acholi forces serving in the north, by Obote's chief of staff, led eventually to the second overthrowing of Obote, in 1985. Months of internecine warfare under the military regimes of the Acholi coup-makers — Tito and Basilio Okelo, "the Okelos", were resolved finally in 1986, after abortive peace talks in Nairobi followed by the eventual victory of the NRA and its accession, with Museveni at its head, to power. The Museveni government has relied heavily on the army and continues to feel itself threatened, both by internal guerrilla movements, especially but not exclusively in the north (and east), and by external enemies. A recent element of adventurism and perhaps lack of control over the military was introduced by the October, 1990 invasion of Rwanda by Tutsi exiles, ominously outfitted in NRA uniforms. Relations with Kenya have been very sour, and the Sudan border is considered problematic because of the Ugandan refugee groups (with ties to Amin, in some cases) known to be in the southern Sudan.

Summary

Thus, while violence has been the internationally lamented characteristic of the political arena over the past twenty years, this violence must be traced to underlying political causes. Tensions over unitary vs. federal arrangements contributed greatly to the eventual breakdown of the system. Further, the issue of "equity" is one that has animated political response throughout the system; it is a key value, which takes pride of place over rapid development in the popular mind. The conflicts over federalism are themselves symptomatic of the need for and perceptions about equitable regional treatment. And finally, mistrust of political forces of every stripe is pervasive, the record of manipulation, frustration and disappointment having reached such a depth. Ugandans have experienced more than twenty years of misrule; an entire generation has grown up knowing only violence, cynicism and usurpation.

Today, however, Uganda is in a condition of relative stability, under a government which has made major efforts to redress the political institutional downward spiral that has bedeviled the previous regimes. It is critical that the processes of re-establishing trust, legitimacy, participation and effectiveness continue, and that they receive the support they need to survive. Both economic and political reforms are in train, and their implications for democratic governance and for market-oriented economic policies are mixed. This section of the CPSP deals briefly with the institutional framework within which development efforts are being pursued, both nationally but more specifically at the level of local government, where social and economic service provision must be effective, and where an experiment in democratic control is being conducted. This experiment is described first. A fuller discussion of the local administrative system and its critical impact on development — and its critical needs — follows. The national political arena is discussed as it affects this system. Recommendations for intervention points which A.I.D. can pursue are detailed.

Resistance Councils, Democratic Governance and Development

Uganda's present government under Yoweri Museveni did not arrive via the peaceful route of a ballot box, but out of the proverbial "barrel of a gun". It derives from a successful guerilla movement which took a tough stand on previous regimes' flaws, ultimately refused to negotiate a power-sharing agreement, and at length inherited a country so war-weary that the relative discipline of its military forces — the NRA — was seen as an acceptable interim mode of government. What was seen as interim has stretched considerably longer than promised; now, national elections are scheduled for 1994/95, the military regime having been extended for five years without reference to any electorate.

During its campaign this guerilla movement had successfully taken over territory in the west, south and central parts of the country. Where it liberated areas it had to impose some method of civil order and governance. A series of "resistance councils" were established, at first clandestinely supportive of the guerrillas and then as legitimate authorities where power had been taken. Upon assumption of power in 1986, the NRM government made this "resistance council" system universal, statutorily establishing it through two pieces of legislation in 1987, known popularly as the Resistance Councils Statute and the Resistance Councils Judicial Powers Statute, of that year. At the same time, it should be recognized that other aspects of local administration continue to be regulated by the Local Administration Act of 1967, which describes the wider framework of local government — the mandating of service provision, permissible revenue sources, procedures for enacting bylaws (that is, local legislation) and the like. Resistance councils were not constructed in a vacuum, but rather in a situation of long-recognized and legally constituted, but increasingly ineffective, local government. They are not the whole of local government, but an experiment in its democratic regulation.

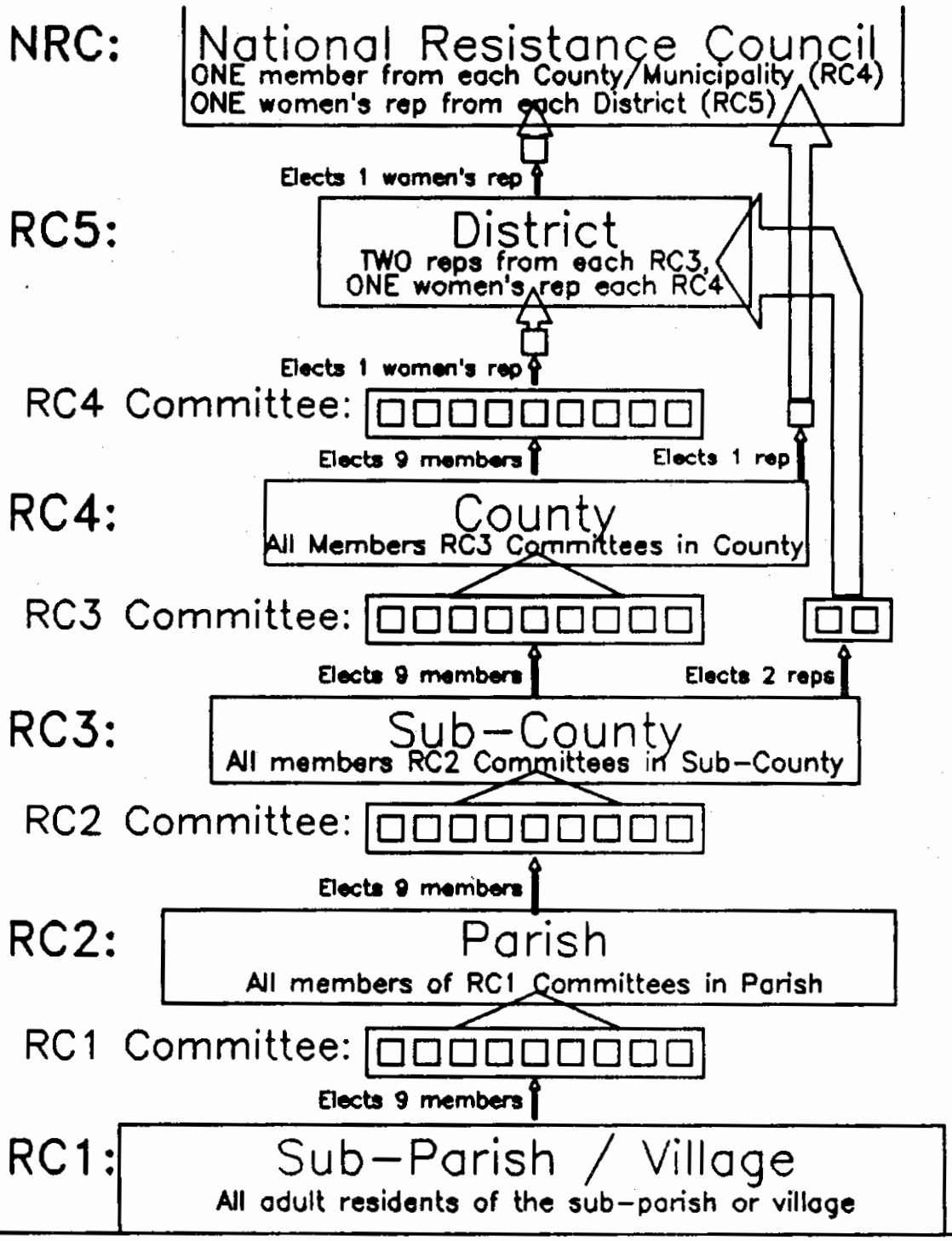
The Resistance Council system (henceforth, RC system) was grafted onto this pre-existing local administrative framework with several quite disparate functions in mind. First and foremost, the councils were to perform security and law-and-order functions, vetting individuals who were either perceived to be aiding and abetting the "enemy" (meaning other guerilla forces), or taking advantage of the civil disorder to pursue criminal activities. These activities remain, manifested in the office of the "Secretary for Security" at each level of the system, and graphically demonstrated by the active participation of the committees at grassroots level in pursuing criminals and vetting new migrants into their area.

However, another part of the rationale for and statutory mandate of the councils is to provide a channel for democratic participation for all Ugandans, at grassroots level and extending up the system, while at the same time deflecting the emergence of the traditional local political forces, which the NRM perceives to have been responsible in large part for the chaos into which Uganda fell in the 1970s and early '80s. A brief description of how the system is structured and is meant to work will be followed by a lengthier discussion of how it actually does work, what the present status and problems are, and projections for its near-term uses, problems and potential.

Structure

Uganda is divided for administrative purposes into ten regions and 34 districts. Resistance councils extend upwards from the grassroots level to the district level as a series of five bodies, each with an executive committee elected from among its membership which then concatenates into the next level in the hierarchy (Figure 1). Thus, every Ugandan over the age of 18 is a member of the RC1 comprising the village (also known as the sub-parish, as they cover a wider reach than a simple village

Figure 1: Uganda Resistance Councils and Committees Electoral System



might signify, given the dispersed settlement pattern of East Africa). All RC1 members can vote for officers of the RC1 committee, and can stand for any of the nine positions which comprise that committee. The nine officers include a Chairman, Vice-Chairman, and Secretary, as general positions; and Secretaries for Youth, Women, Information, Mass Mobilization/Education, Security and Finance, mixing representational and functional designations (more on this below). A council is supposed to meet once in two months, at least; its committee is supposed to meet once a month, and meeting minutes in both cases are supposed to be forwarded to the Secretary of the RC2.

All of the RC1 committees in a parish — that is, the nine officers from each RC1 (village, or sub-parish) — comprise the RC2, the Parish Resistance Council. It in turn elects nine officers from among its membership (these nine relinquishing their posts in the RC1 which sent them up to the parish council), who become the RC2 committee, with the same office designations. The RC2 committees in a sub-county comprise the RC3 council. This council in turn elects a committee of nine, the RC3 committee, with the same designations. All of the RC3 committees in a county comprise the RC4 council. Here the system diverges from the pattern a bit.

The apex of the system is the RC5, the District Resistance Council. The members of this come not from the RC4 but from the RC3s — two members elected from each RC3 council sit on the RC5. (In Bushenyi District, one of the districts visited for purposes of this strategy formulation, there are 35 sub-counties, and thus 70 elective RC5 council members. Adding eight women members and the department heads, as described below, brings the RC5 membership to well over 100 persons, an unwieldy number for a policy-formulating body, unless it has well-established procedures and committee systems).

The RC4 elects a representative for women to the RC5, so that each county has a member for women's issues on the Council. Finally, all heads of Government departments, whether at parish, sub-county, county or district level, are *ex officio* members of the pertinent council, participating but not voting in its deliberations. The system is slightly altered in towns and municipalities, but the principle is the same: indirect elections up a chain, serving to "screen" persons by popular vote at the level in the system at which they are theoretically known best, that is, at the grassroots.

Finally, the RC4 also serves as the "electorate" for the NRC member, who thus represents a county in terms of the traditional political units. In Bushenyi, for example, there are seven counties, and thus seven NRC constituencies/members, plus the district's women's representative (elected by the RC5). The system thus telescopes drastically in terms of the number of persons involved in electing officials to higher level bodies, after the initial RC1 Committee's direct election. On the other hand, the system is grafted onto the traditional political units, rather than attempting yet another re-parcelling out of territorial units. It is thus operating in an arena with a political and administrative history and structures in place, for better or for worse, and is meant to build on those rather than to replace them.

One point to note is the peculiar hybrid of offices referred to above — representatives for women and youth (specific groups, presumably with specific, common and important interests), and secretaries for specific *functions* — education and mass mobilization, information, security, finance. Recommendations have been made for a major overhaul of this system, as it derives more from the needs of the extended guerilla campaign than the development functions increasingly coming to the fore. (Recommendations that the name be changed from "resistance" to "development" committees have also been made, as the historical period of resistance is presumably over. Changes such as these, if adopted, will no doubt form part of the new constitution and its enabling legislation presently being

debated.) The less-than-perfect fit between the Resistance Committee structure of offices and the traditional district level mandated functions — which include health, roads, and other basic services — means that there are major gaps in the system from the perspective of monitoring the performance of local government, as it is meant to do.

All of the council and committee members were initially unpaid — elective, and performing regulative, supervisory and policy-formulating powers but *not* actual implementation, and therefore not full-time. Presently, the work load that has emerged in the higher councils is such that some remuneration was felt necessary, so RC3 officials are paid by the NRM, a monthly allowance of USh 3000, while at the district level there are travel and subsistence allowances paid by the council to members for attending meetings, on a reimbursement basis. Apparently the provision of these incentives and the neglect of the RC1 and RC2 cadres has provoked considerable resentment and demoralization at these lower levels, which feel that they do the bulk of the actual work.

Functions

A description of the functions of the RCs and of their recruitment patterns/staffing will point out more forcefully the emerging trends and problems of the RC system. At least ten distinct functions can now be discerned in practice. A central one is security and the passing up the system of information regarding the security situation. There is still a feeling on the part of the regime that enemies oppose it, and a need to know who might be in that category locally. Related but distinct is the law-and-order function — the investigation into and handing over to the administration of local malefactors, be they thieves or other criminals. Thus the RCs have played an important adjunct police function, in a rural setting which is still characterized by social disorganization stemming from the lengthy period of violence.

A third and again related function is dispute settlement, in lieu of the formal judicial system. Domestic disputes, previously referred to sub-parish chiefs, are more enthusiastically brought to RC1s or RC2s, whose local knowledge and democratic character are preferred. Similarly, land disputes, cases of property damage, and other minor civil disputes are heard by the RCs. In many cases these are reportedly far more trusted than the formal judicial system, with its remove, its reliance on lawyers with Western training and motivations, and its excessive cost. This is reportedly a popular function, one that has "democratized" the judicial process in the rural areas (even at the lowest levels of the system in urban areas).

Another function is political education. This started during the military campaign but continued after the NRM consolidated power. Most RC5s have held seminars which could be called "political education", attempting to explain and promote the system and train the lowest tier on what they are supposed (and supposed not) to do. Lack of funding has put most of these activities on hold, and substantial regrets about that were expressed in the field. It is maintained even by its most ardent advocates — for instance, the District Administrator and his staff in Bushenyi — that the system is still very imperfectly understood, at least as regards the practical requirements of development at district level. One suspects that it may be motivation rather than understanding that is lacking, but it is certainly also the case that the number of layers, the electoral system and the wide variety of functions leaves plenty of room for confusion.

A fifth function is mobilization of self-help efforts and resources. In recorded cases, brick-making for school buildings and clinics but no doubt many other initiatives have been mounted. Many RC3s have imposed levies on their sub-counties to finance such efforts (no longer exactly voluntary "self-help" but a local tax); some RC5s, such as that in Bushenyi, have had to step in and insist that these can only be imposed with the approval of the RC5, since too many were being levied and they interfered with the collection of GPT. As in the case of political education, this self-function function is reported thus to have come to more or less a standstill in many areas, for a variety of reasons, mostly having to do with lack of resources and mistrust over accountability for local resources "mobilized".

Two extremely important functions are a "watchdog" role with respect to the functioning of the implementing officers of the local government (and, indeed, of central government ministries which do not fall under the purview of the local authority), and the policy-formulation and rule-making role with respect to the substantive areas of local jurisdiction — for example, the formulation of bylaws dealing with public health or markets or schools, or the more informal guidance of the district councils' standing committees on specific substantive areas. In contrast to the first set of activities, these very important ones are not being performed well. The "watchdog" function requires powers to discipline civil servants that the RCs do not have — in the words of one field observer, the watchdog can bark but is essentially toothless and thus cannot bite, so it cannot deter theft. Further, the policy-making function requires a fairly sophisticated understanding of social and economic development. Where that is lacking, the results are likely to be authoritarian, and show little understanding of market forces.

RCs have gotten directly involved in some fairly dubious activities in the economic sphere, as well. For a year or so they were involved in distributing essential commodities. They performed this function, predictably, with a great deal less than impartiality, leading to a great deal of disaffection and disillusionment on the part of the citizenry, who saw their elected representatives doing the same things of which the chiefs and other non-elected officials had previously been guilty. This is very dangerous, and it is a good thing that it was discontinued in 1989, when the situation with respect to the availability of essential commodities improved. No faster way to completely discredit the system could be devised.

RC3s (sub-county level) have also gotten involved in profit-making ventures, most notably a tractor hire scheme for which they have proved generally incapable of either servicing the loans or maintaining the equipment and providing services efficiently. Despite this negative experience there are calls for further involvement in business activities, both as a demonstration to local citizens of the viability of new activities and as a strictly money-making strategy, given the extreme scarcity and inelasticity of local government resources presently. These functions seem dubious, given the history of national government involvement in the economy, the lack of business skills on the part of many RC members (who are elected partly for their social standing and skills, and may be teachers or other quasi-professionals), and the tendency to monopolize activities which would more effectively be pursued by the private sector.

Finally, the RC3 committees have been involved in GPT tax assessment. They nominate a member to the assessment committees. In some areas this is claimed to have greatly improved the *perception* of equity in the assessment exercise, given that the RC3 representatives are more conversant with the local populace and its household economy than are civil servants posted from outside, who comprise the balance of these committees. However, in other areas it is claimed that the RC representatives do not have the technical knowledge to contribute anything very useful to the assessment process, and instead concentrate on making themselves popularly re-electable by forcing

under-assessments. In this case, there may be a very real trade-off between fairness and democratic participation, on the one hand, and realistic resource mobilization on the other.

Recent experience with the RC system

There was an initial burst of enthusiasm when the RC system was introduced, in good part because war and civil dislocations had reduced many localities to performing many of the normal governance — and especially law-and-order and service provision — functions of central government themselves, anyway. The system legitimated and clarified their efforts. Enthusiasm has more recently been tempered by a growing frustration and cynicism, however, as the system is expected to function without resources, up to and including the paper on which to write the minutes which are supposed to be forwarded up the chain. In addition, inequities were introduced into the system itself with the introduction of a remuneration of the RC3s (expected to be the focal point for spear-heading development and development planning), while the lower levels — which feel they actually do the bulk of the *visible* work — receive nothing.

RC1s and RC2s in many parts of the country are reported to be inactive, at least in terms of the bulk of the functions described above. RC3s and RC5s continue to function actively, the latter more so than the former, and there are growing signs of tension between these two levels. In addition, the RC4 level, originally inactive, is at the time of writing being activated. This will mean another layer in the system with a claim on resources and on authority. As this is the level of the NRC constituencies, it is not likely to remain either dormant or resource-poor, especially after the next two years, when the 1994/95 electoral campaigns for the NRC get underway. Jurisdictional disputes with the RC3 and RC5 levels are likely to increase.

On the other hand, there is some evidence that "equity" concerns — indicated above to be of critical importance to the citizenry — are successfully being addressed, at least in terms of the dispute settlement and tax assessment functions. The democratization of the judicial and tax systems at local level is an important area of progress, on which increased system legitimacy can begin to grow. Consolidation of the procedures and outputs of these functions will be important.

There is a more general empowerment of the district level evident in a somewhat negative sense as well. Councils at the lowest rungs of the system have witnessed a spate of recalls of officials or entire committees, where the committee or official concerned has not met popular expectations. RC5s have demanded the ouster of District Administrators in one or two instances, although with fairly unimpressive results. Defiance of central ministerial policy and personnel is beginning to appear, as even a cursory glance at the morning newspaper will show. Where once there was subservience and a fatalistic attitude that no redress was possible, now popularly or indirectly elected bodies are making demands on the center, taking new initiatives, and testing the limits of their authority (which remain unclear; the recalls, for example, are statutorily permissible up to RC5 level, but not in terms of the NRC member, who has been "recalled" by RC4s in a few instances.)

Two areas pointed out as most important have in practice had less encouraging results. One is the watchdog function. The logic of the system is that popularly elected representatives can monitor the actions of civil servants, so that they are ultimately held accountable. Yet the RCs have little power to do anything about non-performing officers of either central or local government — they cannot sack them, but only make protestations to the relevant authorities (the District Executive Secretary in the case of subordinate local staff; the Public Service Commission for senior staff). The

record of response thus far to attempts to follow these channels has not been encouraging. Non-performing or corrupt civil servants have remained in place, undisciplined, in many cases, or at worst been transferred to another venue, which solves the problem of the RC in question by transplanting the offending officer to another RC's jurisdiction, there probably to perform similarly.

Secondly, the policy-formulation aspect of popular control is also important. Elected officials should be the ones making local legislation dealing with social and economic life, and the RCs are mandated to perform this function. They experience difficulty in getting bylaws processed through the legal system, up to the eventual gazetting it took in the Nebbi District for example, to get its bylaws legally adopted (See attachment). The technical and economic understanding of these elected officials is also problematic; Nebbi District's bylaws read like the command-and-control model of the early 1950s colonial instruments — mandatory crop plantings and times, mandatory school attendance (unless the parents cannot afford the fees!), communal work obligations, and the like. While the intention of many of these is admirable, the model of compulsion is precisely the anti-market one which confounds much African national economic strategy, and arouses resentment and opposition to governments, either active or passive. Policy formulation skills may need considerable sharpening for the system to produce viable social and economic policy.

Finally, on issues of representation of women's views, only anecdotal information is available, and it gives mixed reviews. Structurally, women are guaranteed representation. Further, women's representatives at higher levels in the pyramid are able sometimes to assist at lower levels. Ugandan women note that they enjoy a higher proportion of representation at the national level in Uganda than they do in the United States. This said, effective representation of and by women is very much situation specific. In some areas women's views till not be heard at all.

Summary: Democratic Potential and Emerging Problems of the RC System

The potential for democratic governance and the emerging problems or weaknesses of the RC system can be summarized as follows.

1) It has revitalized local communities' perception of at least the possibilities of participation and control, most successfully with respect to dispute settlement, including land disputes; less successfully, from a technical point of view, with respect to local tax assessment.

2) Policy formulation with respect to district-wide service issues — such as the need to consolidate primary schools, or rationalize clinics, or prioritize the feeder road system — has occurred, but is in no way a central feature of the system yet.

3) Watchdog activities have taken place, but tend to take the form of recalls of RC committee members themselves, for suspected or confirmed malfeasance, or fairly unsuccessful efforts to have district administration personnel disciplined.

4) The system is too complex — five levels of government in relatively small district units is at least one more than most other regional states have, and the resulting confusion with respect to role and responsibility leads to cynicism. Unfortunately, the one level which might have been eliminated — RC4, the county — is the NRC constituency level and looks set to become a focal point of project proposals and development funding, in line with NRC incumbents' need to consolidate favorable constituency records.

5) Despite the apparent complexity, the RCs have almost no resources, either physical or in the way of leverage and disciplinary authority. While the upper levels of the system — RC3, -4 and -5 — are engaged in disputes over the procedure for allocating the local government's existing resources (discussed below), the lower two levels are increasingly demoralized and inactive. The excessive number of levels in the system means that getting resources *to* the RCs is a formidable, if not dubious, proposition: there are probably upwards of 150 RC2s in populous districts, and well more than 500 RC1s. Even getting stationery to these would be very costly and difficult; indeed, they do not have stationery, and in most cases are thus not leaving the statutorily mandated paper trail which seems essential to undergird the democratic process.

6) The committee system is not yet fully adapted from its initial guerrilla campaign mode; officers do not mesh easily with the district *administrative* committee structure, discussed below.

7) The upper reaches of the system are not accountable enough to the populace. Once a person is elected to an RC1 committee, a drastically decreasing number of people participate in selecting or rejecting him for higher office. The result is popular suspicion that RC officials will not hold each other accountable, but will merely take turns sharing higher offices and the rewards these might bring.

8) Technical skills, either for project planning or for economically rational (read: market-oriented) rule-making, are quite deficient, especially at the lower levels of the system in the view of recent observers (even at RC5 level, if the Nebbi District bylaws are a representative example. On the other hand, these *may* have been drafted by an administrative staffer with lengthy experience in how things have always been done, and foisted on an RC5 unsure of itself and of any alternative model.)

9) Last, but not least, there is a strong sentiment in partisan political quarters that the RCs are an externally-inspired form meant to deflect attention from *real* democratic practice, that is, the permission for political parties to contest local elections openly. As it is presently, no partisan political activity is permitted in support of individuals' candidatures for RC committee positions. Some persons interviewed for the CPSP analysis thought that admirable, blaming the traditional parties for the chaos and development stalemates characterizing latter-day Uganda. Others, perhaps a majority, (this varies by region) felt that the RC system was basically manipulative of popular will because of the electoral constraints.

The system thus seems to have ground up against some rather thorny issues. Recommendations for reform have been made, discussed, and in most cases temporarily shelved while the national exercise of drafting a new constitution goes on. The new constitution will presumably deal with many of the proposals made thus far, in a methodical manner and through enabling legislation. The resolution of some of these thus must await this process, which is currently set to produce a draft in March, 1992. These will no doubt primarily be the political issues such as the electoral process, the locus of various types of authority and the structure of officers. Others, relating more to technical competence, procedure, and logistical detail provide intervention possibilities for A.I.D. in this vital institutional framework. These are discussed further below, after a discussion of the wider local government structure and functioning.

Broader Local Government Issues

Local government is larger than, prior to and subsumes the RC system. Were the RC system to fail on technical grounds (not an impossibility given the difficulties it confronts) — or the NRM government to fall and the RC system to sink without trace along with it (as a vocal minority of Ugandans would prefer), the governance of local areas would continue to be performed, albeit without this electoral appendage. Indeed, without viable *implementing* agents for vital local services, the *electoral* appendage would be (some would say, presently is) relatively meaningless. An effective *administrative* system is vital to the translation of local wishes — transmitted through this fledgling electoral system — into practical, fundable and funded reality. The structure and function of local authorities as the implementors of RC policy (and the objects of RC watchdog activities) needs some discussion.

Structure

District administration in Uganda has changed over the years, but retains core features from the late colonial model, which it shares with other former British colonies. Presently there is a District Administrator, with overall political responsibility for the district, reporting to the Office of the President (selected by the President, and thus the "President's man" in the district), and to whom the chiefs in turn report. There have been several calls for the abolition of this post; the DA is seen as a representative of the center, and a partisan one at that. He frequently conflicts with the other two most senior persons in the district, the District Executive Secretary (DES) and the RC5 Chairman.

The DES is the head of the civil service in the district, posted through the Public Service Commission. While he is as much an "outsider" as the DA, he is seen as a technician, albeit one with a rather generalist bent — an executive administrator. The RC5 Chairman is elected, of course, (though indirectly) and is thus a local person, one of high stature. The supervision of the RC system lodges with the DA, who thus is in some senses the supervisor of the RC5 Chairman.

The local administration comprises numerous types and levels of staff under the DES's supervision and organized generally into departments, such as Finance, Works, Health, Education, and Markets. These staff are recruited from the PSC, in upper levels, and directly by the local administration in the case of subordinate staff. They are paid by the local authority, the district administration, out of its revenues (discussed below). They do the bulk of the work — that is, provide whatever services are legally mandated and able to fit into the district's budget.

The head of each of these departments — such as the District Engineer, who would head the Works Department — generally chairs a committee advising him on the technical aspects of the work. The committee comprises staff members in the department, staff of other departments with a need to coordinate into that particular function (the senior Market Master, for example, in the case of the Works Committee; a works officer on the Health Committee; or similar), and generalist officers with coordinatory roles. Notably, these committees do *not* correspond with the RC committee designations, although in the field we were told that RC committee members are incorporated into any administrative decision-making without much in the way of problems. These committees and the general structure of working relationships predate the RC system.

In addition to the sectoral departments, there is the over-arching District Development Committee (constituted under the same statute in 1987 as the RCs). This combines RC5 members,

department heads of the district administration as outlined above, and heads of departments of sectoral ministries not coordinating their activities under the district administration.

These latter include agriculture, animal industry and fisheries, cooperatives, environment and natural resources — the production sector generally. The lack of local supervision of their activities represents a potential problem for technical assistance efforts. Projects implemented through agriculture or cooperatives, for example, may require RC5 or the district administration's promotional and supervisory efforts to bear fruit. They may not get them, although the opposite problem is cited as more real — RC project proposals or implementation suggestions, based on local preferences and conditions, which are ignored by the central ministry staffs.

The DDC is meant to be the overall development planning body for the district, taking policy advice from the RC5 and turning it into practical implementation plans. In practice, because of both the size of the DDC and the lack of discretionary resources over which it has any control, little planning has been done. A regional planning unit in the Ministry of Planning is responsible for developing a district planning capability, and a prototype has been done under German technical assistance, but remains un-implemented until evaluation of its practicality can be done. The DDC is well over one hundred individuals in some cases, and serves rather to coordinate services and projects/programs under way than to plan for new investment and initiative.

Functions

The District Administration as the legally constituted local authority provides a variety of services which it is legally mandated to perform. These include education, health, markets and feeder roads/works, as well as such less central functions as social amenities (parks, bus stops, cemeteries, etc.) and such vital ones, in towns, as the whole panoply of town infrastructure (street lights, pavements, sewers, police/security, pest control, and other services).

This is not as straightforward as it seems, however. In the case of most of the mandated services, the local government is responsible for the lowest level of service provision — such as primary schools — while the relevant central ministry — in this case, Education — is responsible for the secondary and tertiary institutions. The same is true for health facilities, the local government providing the local clinic and dispensary network, the central government operating the district hospitals and those higher level referral institutions, up to Mulago Hospital. For roads again it is the same. Feeder roads are district responsibility, trunk roads central ministry domain.

To complicate this still further, the staff salaries for teachers and medical personnel are paid by the central government, no matter where located in the system. The local governments are supposed to be reimbursing the central ministries for locally-hired staff (as opposed to the centrally-posted teaching and medical staff) but have not been doing so of late due to the financial extremis in which local governments currently find themselves.

Despite the complexities and interdependencies, it is clear that the mandated services provided by local governments in Uganda are critical. Four of them — primary education, the lowest tier of the heath care system, feeder roads and markets —undergird the central elements of the strategy laid out in this CPSP. If these services are not provided, or are provided in ways which constrain production, private sector development, and social service sustainability, then the assistance in these vital sectors is likely to fail. But the local governments have been having an increasingly difficult time providing

services recently. This is in good part a result of the drastic inflation of the last five years, with which the GOU is in the process of dealing. Basically, local government resources have not been able to keep pace even remotely with inflation. The result has been the virtual privatization of the primary education system, and similar outcomes in health. In markets, very little *service* provision is evident, other than fee collection. A review of local government finance is essential to understanding the problem, as well as to designing any solutions, and finding A.I.D.'s appropriate role in them.

Local Government Resources

Local governments in Uganda have a larger revenue base than their counterparts in Kenya, and a correspondingly larger service provision role. They retain the authority to collect Graduated Personal Tax (GPT), a tax that is levied in a graduated rate structure against an assessment of *putative* (not actual) income. Kenya abolished GPT in the 1969-1973 period, and transferred the services to central government responsibility in 1969/70. Kenya is now in the process of trying to "decentralize" the responsibility for local level development planning back to the districts, but central ministries retain tight control over social service mandates and the public resources available. Local authorities in Kenya have some sources of revenue that Ugandan counterparts do not have, but none so productive as the GPT should be, with the sole exception of coffee assessment in the six Kenyan "coffee councils".

Whereas GPT comprised about 70 percent of local authority revenues in the immediate post-colonial period in Uganda (Davey, 1973), it today forms 85-90 percent for most local authorities — about 80 percent for even those with the most versatile set of other revenues. This tax and the procedures for assessing, collecting and spending it are thus critical to the future of local level service provision in Uganda.

Assessment

Assessment of GPT is done by an assessment committee that is now lodged at the RC3 level (the sub-county) and contains members from the RC3. After an enumeration committee lists all the households resident in and having assets in the area upon which to base the tax, the assessors evaluate the level of income likely to be realized from the assets of the household, including land, crops, animals, and to some degree off-farm sources of income. The amount is then gauged against the rate schedule and the tax levied. The chiefs are then responsible for the physical collection, banking, and ultimately accounting of the tax.

There are major problems with the assessments. They are supposed to be done with the input of technical officers who have the knowledge and experience to value the income-producing potential of assets realistically; this means the veterinary and agricultural staffs at a minimum, at the relevant level. Even they, however, may not be particularly knowledgeable about the local household economy. The District Treasurer in Mbarara lamented the inaccurate assessments in his district in 1990 and 1991, which give rise to a plethora of appeals and lead to large disparities between the assessments on which budgets are based and the actual collections. He was attempting to redress them by having a technically competent body draw up a formal schedule of crop/land/animal production parameters, which could guide the exercise in future.

The inclusion of RC members was meant to give the assessment process more legitimacy and provide the "watchdog" function on this vital local government activity. Unfortunately, the RCs are

aware they are going to be up for election soon (elections will be held in February 1992, according to the *New Vision* of 25 June 1991), and consequently tried to curry favor with the electorate, in the view of the district administrations in Bushenyi and Mbarara, by under-assessments. In this manner, no one was pleased in 1991 (although the RC3 in Kasese claimed that the assessments are now "fair" and "democratic"; yet even they did not claim to be receiving a reasonable amount of development resources; but they are the not the ultimate repository of the tax and do not control how it is spent, which is the preserve of the district level, the district administration with the approval of the RC5). A great deal of work needs to be done in terms of this assessment process if GPT is to be retained as the major instrument of local taxes. Considerable sentiment for its retention was expressed to the Commission of Inquiry on the Local Government System in 1987, which investigated these issues in depth.

Other Revenue

Other sources of revenue fall into two categories. One is market fees and property rates, the former the only other significant source for rural (that is, district) councils and the latter the significant other source, no doubt, for urban councils. The other category is a collage of license fees, plot rents, registration fees (such as for birth registrations), application fees, and dozens of others of truly minor importance, whose administration and collection costs could well outweigh their yield and which are virtually impossible to project and thus budget satisfactorily.

On the capital side, the main source of revenue in practice was the Local Authority Loans Fund, now moribund through non-repayment of loans and the trivialization of its initial capitalization through inflation. Local governments are also in theory able to borrow on the commercial market, and to float bonds and other financial instruments. No sensible bank would lend them money based on their repayment record with the LALF, although most run overdraft accounts with the commercial banking system for day-to-day operations and maintenance, and presumably experience the same embarrassments as Kenya's LAs when assets are seized for non-repayment of short-term and overdraft privileges.

The elasticity of this revenue base is very low. All the fees, including GPT rates, are set as absolute values for assessment categories, and must be revised periodically to account for the effects of income increases, either inflationary or non-inflationary. In situations of rampant inflation such as Uganda has experienced in the NRM period, unless tax rates and fees are reset almost continuously the revenue yield shrinks. This has happened over the past few years, with the result that local authorities can be viewed as primarily able to pay salaries — and even those frequently in serious arrears — and nothing much else. The inevitable result of this is that the citizenry looks at them as self-perpetuating groups of unproductive, and unrepresentative, government. No visible services, other than some feeder road grading and other essential works, leads to massive attempts at tax evasion, completing the downward spiral of local financial incapacity.

This year's (UFY 1990/91) GPT collection presented yet another fiasco. An effort to increase GPT rates significantly, in line with the depreciation of the currency, backfired. Minimum and maximum rates were revised (and presumably the whole rate structure, on a standardized basis, although this has not been confirmed). From a maximum rate that a person could be assessed of USh 5,000 in 1990, the maximum jumped to USh 30,000 in 1991. The Ministry of Local Government argues that it meant for people to be assessed on a realistic basis, and not automatically jumped from 5,000 to 30,000, but the latter apparently was done in many places, prompting tax riots. As a result,

the Ministry had to retrench, reduce the assessments and reduce the projections for GPT yield which the local authorities had already budgeted for 1991. As a result, many are having their projected expenditure cut in half; for example, Bushenyi, which was visited, projected a revenue of USh 600,000,000 (US $650,000). The revisions left it with a projected total of 300,000,000 (or around $350,000), which will result once again in the ability to mainly pay salaries and little else.

Expenditure

On what do the local governments spend these meager funds? A brief picture of the expenditure profile of local governments may be of use here. With this revenue, largely from GPT and principally paying wages and salaries, the local governments allocate resources sectorally/functionally as follows.

Administration takes a major portion of expenditure — up to 50 percent one would guess, and possibly higher in the poorest districts. This is the same as in Kenya. In Uganda it will include expenditures on local police forces. The finance department takes another large chunk, but this includes salaries for many personnel in other departments (Markets, for example) due to the nature of the accounting systems that the local governments inherited at independence. Sectorally, works/roads is the most important area, with feeder roads and public structures (for example, market maintenance) comprising the bulk of the expenditure here. Road construction and maintenance activities in Bushenyi were projected to absorb 28 percent of the budget for 1991. The feeder roads in areas such as Bushenyi are maintained by labor-intensive methods, with two "porters" (casual laborers) per kilometer of road; Bushenyi has no equipment whatsoever, nor any works depot, so the expenditure is all for labor, hand tools and road ballast. (The older-established districts will have equipment and expenditure and will accordingly include petrol, spares and maintenance as a heavy item).

The social services — health and education — account for only about five percent of expenditure, at least if Mbarara and Bushenyi are examples to go by. This very small amount — USh 35,000,000 in Bushenyi was projected for 1991, but will have to be cut, with the halving of the GPT collection — goes in the case of education to pay for: building grants to schools; travelling and transport for schools inspectors; teachers' refresher courses; model primary schools; scholarships for needy students (probably at secondary as well as primary level); assistance to schools damaged in natural calamities such as storms; and theoretically, reimbursement of the MOE for the salaries of staff in the Local Authority's education department (inspectors and similar staff).

With a population of around 730,000, this expenditure represents USh 48 per capita; with a primary-school aged cohort of perhaps 20 percent of total population, it means an expenditure of around USH 240 per child of school-going age, or perhaps USh 500 per child actually attending school (school attendance rates are reported to be around 50 percent, although they might be somewhat higher in a productive area such as Bushenyi, which prides itself on the past quality of its educational system). Revenue is wholly inadequate to support any of the services that the local governments feel themselves bound by tradition or popular demand to perform with respect to education — district "mock" PLE exams, inspection, teacher upgrading, school equipment and even new construction. And, it must be pointed out, this is even a calculation based on the *original* estimate of revenue, when the GPT rate increase windfall was expected, and *not* on whatever the revised figure might be.

Of course, it can at the same time be argued that feeder roads are what the local authority has seen as its priority, since the expenditure is almost six times higher than for education. There could

be merit to this allocation. Bushenyi is agriculturally productive, potentially rich, but poorly served with farm-to-market roads, which are necessary to induce higher levels of actual production. The immediate payoff from improving the marketing and transport situation may well outweigh the benefits of investment in education, which has already in effect been privatized and which will not return any revenue to the government, whereas increased production and marketing will have an immediate return in the form of increased GPT. It is not clear whether this formed any part of the budget allocation process (the interviewers did not probe, but such a study would be well worth doing) or whether the allocations are simply the result of incremental, line-item revenue and expenditure projections, based on timeworn patterns dating back to the late colonial period.

Health presumably represents the same low level of expenditure as education, and is additionally plagued with the same problems of the central MOH in terms of pilferage of drugs and other types of misappropriation. This may, however, be on a very small scale in comparison with the possibilities presented by the district hospitals and other facilities run by MOH, which are large and have volumes of drugs and other supplies flowing through them. In the health sector, progress which is reportedly being made is associated with donor programs, both those which are concerned with the drug-kit/cold-chain/immunization programs nationwide, and individual district health facility rehabilitation and upgrading. A.I.D. should consider a serious survey of these latter to find out how they have interacted with local governments, what experiences they have had, how they think the local government units can be involved in the operations and finance of health services, etc. Any further speculation on the optimal institutional channels for USAID's family planning and AIDS prevention efforts would seem premature without such evidence of existing, on-the-ground experience. Note: a survey of donor-assisted health interventions would thus need to include a specific focus on local government health facilities and services, or the absence thereof.

One other aspect of the allocation of local government resources is of note presently. In 1989/90 the MOLG sent round a circular "encouraging" local authorities to permit the sub-counties to retain a proportion of the GPT taxes collected in the area, with the RC3 thus having decision-making power over how to spend it. It was felt that this would give a renewed impetus to development initiatives, locating them at sub-county level, which is the level recommended to be the locus of real development planning by the Commission of Inquiry on the Local Government System in 1987. Lack of resources had stifled this momentum, which had been visible at the outset but had been frustrated by both resource scarcities and accountability problems. It was an admirable idea, probably the only way to build credibility in the system through tangible development outputs linked to the levying of the taxes which support them.

Unfortunately, this call has been heeded only partially. In Mbale, it is reported that 20 percent of GPT was retained at RC3 level, and that this fueled a popular and useful variety of projects to protect drinking water supplies and other minor but tangible and important projects. In Rakai, it reportedly has not been done; in Kasese the RC3 claimed to know of no funds earmarked for them from their own GPT collection. In Mbarara, a wealthy district in relative terms, ten percent of the GPT collections from each sub-county were being banked separately for use by that particular sub-county. In Bushenyi, they had agree on only four percent as the amount to be retained, partly because of the drastic reduction in the amounts of revenue expected after revision of the initial assessment. Should Bushenyi's revised revenue projections of USh 300,000,000 be realized, at 80 percent GPT, and taking into consideration that there are 35 sub-counties, the average out-turn for each RC3 for its own use would be approximately USh 275,000, or US $300 (at the rate of exchange prevailing on 24 June 1991). $300 will not produce very much visible development, although it will roof a couple of needy primary schools.

Mbale, on the other hand, with a projection of about US $1,500 retained by each sub-county, may be able to claim that it is at least allocating seed-money for the most critical development projects of each RC3. Mbarara, going by its 1991 revenue projections (inevitably optimistic) and its 10 percent retention rate, would be supplying an average of US $2575 per sub-county (actual amounts will vary by the variance in population of the sub-counties). There are probably many districts with either no provisions for the RC3 to retain a proportion of GPT, or with the combination of low yield and low allocational percent, like Bushenyi, and relatively few with the progressive attitude of Mbale, or the tax base of Mbarara. This clearly is not a major source of investment capital. It will only fund symbolic, though useful, efforts — albeit the symbolism itself of local control by the RC3 over this one source of discretionary funds, is important for reasons of system credibility.

Accountability

Accountability has been a real problem for local governments. The perception that corruption abounds within them has affected their ability to collect revenues, just as it has the central government's. To what degree this is deserved is impossible to say without a serious study, including observation of market fee collection procedures, bookkeeping procedures, etc. Such a study, while interesting, might not necessarily be cost-effective: what counts is what people believe, and they believe that revenues are misappropriated. A study of the incidence of "corruption" should only be done in conjunction with a serious effort to design methods for enhanced accountability, examining bookkeeping and accounting methods, assessment methods, tax registers and records, gate-fee collection procedures and records, license fee procedures, etc. All of these provide avenues for the diversion of public funds.

Local government officials we spoke with expressed considerable interest in having assistance with plugging up loopholes and designing better systems. The major question would be to what degree this could be done on a case by case basis, and to what degree it would have to be standardized and thus done through uniform MOLG budgeting, accounting and auditing procedure reforms. Private sector involvement through firms specializing in financial and accounting procedures would seem an opportunity for A.I.D. to pursue here.

Proposals for Reform

The GOU itself has generated at least two major in-house sets of suggestions for reform of the financial systems undergirding local governments. One derives from the Mamdani Commission report of 1987, referred to above, which deals with the whole spectrum of local authority structure, function, finance, staffing, and establishment/dissolution. Some of the proposals of the Commission Report have found favor and been adopted, or are in the process of being adopted. (For example, the decision to focus on the RC3 level for development planning and to reserve portions of GPT to the RC3s; also a whole host of organizational reforms embodied in the MOLG's Decentralization Implementation Schedule, attached as an appendix to this report). The other is the set of recommendations coming out of the annual meetings of the *urban* authorities, held under the auspices of the MOLG, the most recent volume relating to that held in 1988/89.

Suggestions of greatest importance here are for new sources of revenues for local government. A wide variety of these are discussed. Most of these were mentioned by District Treasurers in the field sites we visited. They include revenue-sharing of income tax by the central government, first and

foremost; sharing of motor vehicle license taxes; and either the sharing or the reversion to local authorities of a whole host of central taxes such as those licensing fishing, timber exploitation, etc. With these latter there is a double rationale, in that it is likely to be the local government which will in practice be the authority charged with protection of the natural resource base, and taxing powers are one of the instruments of such regulation. (Of course, this cannot be the whole story with respect to protection or the situation which has developed in Kenya, where local authorities have rights to mineral and timber royalties, and where their lack of *other* sources of finance has led them to permit "land-mining" with respect to sand quarrying in Machakos, timber exploitation in the upper Rift Valley, charcoal production in some areas of the coast hinterland, etc.).

Other suggestions related to new taxes altogether — land taxes and crop cesses were the two principal ones. Land taxes present the immediate difficulties of tenurial problems, discussed in the section of the strategy dealing with agriculture and natural resources. Suffice it to say that it will be a long time before this could be realistically implemented in most areas of the country. Kenya has a much more highly developed land tenure and registration infrastructure, by comparison, and has not yet been able to use land taxes for local government revenue except in the six districts of ex-colonial settlerdom, where such taxes were imposed during the colonial period.

Crop cesses are a more realistic alternative, although many voices may be raised in objection. It is true they are difficult, and perhaps expensive, to collect. Kenya's "coffee councils" have had the cost advantage of the collection being done at source, by the coffee unions, and remitted to the councils literally cost-free. The experience with the expanded, one percent standardized crop cess instituted in 1987/88 is not available yet. In addition, where GPT assessment accurately captures the productivity of the standing crops and annual crop land, it may well be a preferable tax instrument from the point of view of incentive to improve production and productivity, whereas crop cesses are thought to be a disincentive, crop cesses are also an incentive to market through "parallel" channels, which generally transfer some of the income from production as a "rent" to the trader community.

Still other suggestions were to let the districts themselves have the authority to regulate their own GPT rate structure, since there are wide disparities in the income level (and notably in the *cash* income level) from one part of the country to another. Mbarara argued that they could be tapping a much greater resource base if allowed to set the rate structure to match what they know to be the incomes in the area. (On the other hand, precipitous rises in tax rate structures, *no matter how reasonable or equitable in absolute terms*, lead to massive popular disgruntlement, as evidence in the tax riots this year over the rate hikes meant to deal with the currency devaluation. GOU cannot afford this perception of ineptness and "anti-people" tax policy. The result, of course, was presidential intercession to undo the rate hikes. Any decentralization of authority would have to take account of the need for competent and sensitive rate policy. Given the difficulties of the central ministry with this, it is not clear the local governments could do better on average, although a few surely could.)

Summary: 1. The Provision and Financing of Local Services

Decentralized service provision through local governments is a model USAID is very comfortable with and promotes strongly. This is our own model of development and governance. The addition to it of an electoral component in the form of the RC system lays the groundwork for popular regulation and control of local affairs to a degree not practiced previously at the local level in Uganda.

The services provided under the auspices of the local governments, with their new electoral structures, are essential to all of the main components of A.I.D.'s proposed strategy for assisting self-sustaining development in Uganda. It is not suggested that these services are currently being provided. Further, many of the services depend also on central ministerial actions and regulatory activity. A.I.D. will have to deal with the thorny issues presented by the bottlenecks in those ministries, the Ministry of Education perhaps most directly.

However, attention and various types of assistance to the providers of *local* services will be critical. With the populist flavor of the NRM government, as well as the IMF-induced retrenchment of central government staffing, it is unlikely that the responsibilities for provision of these services will be shifted much, either in principle or in practice. They will — and should — remain the jurisdiction of local governments, with increasing democratic control and accountability, introduced in ways and at a pace that the local political culture is capable of absorbing. The elements local service provision of most concern to USAID's strategy are four: feeder roads; markets; primary schools; and health facilities.

Feeder roads and markets, on the other hand, which absorb the largest portion of most local government budgets, are of absolutely first-ranking importance to rural economic development in Uganda, and to the agriculture and natural resources components of USAID's strategy. These are the two most often-cited pieces of capital infrastructure required to increase the marketed surplus being produced in the rural areas. Only as marketed surplus increases, and with it cash for both discretionary and non-discretionary use, will the local resource base that can ground self-sustaining social services become a tangible and taxable reality.

Primary schools, while they have been "privatized" in actual fact (see the education strategy discussion and analysis), remain under the *regulatory* wing of the local governments. The latter inspect, and increasingly, under the RC system, make locally-relevant policy (without, however, having the resources to effect much of the latter), for the schools. The schools must be the instrument of inculcation into a whole new generation of Ugandans of basic skills — literacy and numeracy, but also — as discussed in the education strategy section — analytic reasoning skills not traditionally imparted by this colonially-generated system. In addition, a whole new generation must be inculcated with a set of civic and ethical values quite different from those held by their parents — trust in government, national identity, trust in other social groups, accountability for individual and group behavior, and a whole host of other civic skills which have been irreparably eroded in the parental generation.

Finally, health facilities broadly speaking must function at the local level to deal with local health issues. These include traditional concerns such as infant mortality and immunization, improved midwifery, nutrition education and rehabilitation of vulnerable groups, and disease vector control; as well as the newer concern with AIDS prevention and family planning, with which USAID has been primarily concerned. While USAID does not envision a role in the broader health sector in the near term, and thus is actively seeking channels for AIDS prevention and family planning services from a national perspective, it is not ignoring the impact of broader health concerns on production and productivity.

Uganda has been generally blessed with relatively good health. While there is some malnutrition and considerable evidence of childhood stunting, the evidence from recent field survey is that average health status is good enough not to affect the production capabilities of the majority of rural communities. (A minority of "communities in distress" has been picked out by the ODA health

sector study in 1990; for these, production and even *survival* are greatly impaired by health status, and immediate relief-of-distress interventions proposed).

At the same time, it is the case that considerable proportions of discretionary income may be spent on medical care — about half of it going into the transportation to and from medical facilities, according to one study. Each shilling spent on diagnosed or self-diagnosed curative care is a shilling less available for school fees, production inputs, *preventive* health care (including better food and household sanitation) or adult self-improvement. To the degree that local governments can provide more adequate health services, more conveniently (and more accessibly with the improvement of the feeder roads network), they will indirectly improve the situation of households with respect to discretionary income and thus developmental potential — either through individual investment, or social investment based on taxation.

A fifth local service — police and security — is critical, but not one in which A.I.D. is directly concerned. Security is the sine qua non of development in rural Uganda. Ugandan ideas about security remain significantly different from those of present USAID Mission personnel: the Ugandan government has chosen a strategy of local militia development as the only realistic way to protect the citizenry from the depredations of the social miscreants unleashed by 15 years of civil unrest. Popular opinion on the wisdom of this course is divided, but the preponderance of opposition seems to be in Kampala and amongst the intellectual elite, while the bulk of rural officials seems to support the effort.

Summary: 2. Local Government Situation

The situation of the local government system at present is thus critical, problematic, and characterized by considerable unrealized potential. Three main points stand out.

First, there is in place in all parts of the country the residue of a functioning system (albeit, the physical infrastructure is uneven; old districts have quite a bit, while the "new" districts created during the 1970s or 80s have little or none, and are grappling with the problems of finding buildings to occupy). This system has gone through thick and thin. It has had both its credibility and its physical resource base seriously eroded — but not more so than that of the central government. It is still closer to the bulk of the population's daily activities than are central government agents. Most importantly, it has in place systems and procedures for many vital governance activities: bylaw production, tax assessment and collection, and service provision (even if only of a marginal sort presently).

Second, this system has a new "democratic" appendage giving popular control over the local government to the citizenry. This popular control is itself very "controlled" — that is, it is centered on direct elections only at the grassroots level, and does not permit open partisan campaigning of any sort. It is billed as a "no party" system, but is viewed by a wide spectrum of the electorate as a "one party" system with an undeclared party monopolizing the positions of authority (this is discussed more fully below). There are numerous problems in this system of clarity, jurisdictional dispute, procedure, resource and morale. There are problems of both a political and a technical sort with it, some amenable to technical fixes (albeit none very likely to be quick) and others only to national political decision. Nonetheless, the system is an attempt to involve people in their government and give them the tools to hold officials accountable for their actions, a characteristic which has been sorely lacking in African political systems — which might be said, indeed, to be their fatal flaw.

Third, this system is now financially bankrupt. It is in desperate need of assistance, including (but not limited to) the establishment of accountability mechanisms which can bring back some semblance of credibility. It has virtually ground to a halt with respect to anything but the most mundane of day-to-day services, those requiring attention because of their "crisis" nature (security; disease outbreak, either human or veterinary), and the payment of administrative salaries. (It must be pointed out here that urban authorities, with greater revenue bases than the districts, are less visibly at a standstill — but they too are in what can only be called a "crisis" condition with respect to the potential for any *developmental* initiatives. This situation must be redressed, but will require fancy footwork that involves both local governments and the central ministerial agents involved — MOLG, MOF and the Office of the President, at a minimum. The system can and should be financially and morally rehabilitated; its revenue base, the GPT, while inadequate, remains the most "progressive" of the east (and possibly southern) African revenue systems.

Intervention Points

Several types of assistance can be suggested on the basis of this fairly cursory analysis of the local government system. Some will be fairly technical, dealing with financial systems, while others address the problems with the electoral wing, the RCs. The specific modalities for such assistance are not given in any detail. The Mission will be able to flesh these out more firmly as additional information on the system, and especially on the nature of the proposed new constitution, emerge; and as additional information on the existing universe of consulting and research firms, training institutions, professional associations, and other donor efforts is gained, through the Mission's Capacity Building Project as well as ongoing studies.

Six general areas of assistance are feasible. In each case, several different types of activities could be undertaken in support of the objective, the ultimate type and/or mix depending on Ugandan interest, receptivity and local resource availability. Four of these relate directly to the financial base of local government, two to its role as a democratic participatory institution.

1) A modest but useful approach to *immediate* gains in the local government financial picture would be the provision of assistance to local authorities in rationalizing their current revenue portfolio and expenditure process — in short, their budgeting. Local resources to do this would surely be available from the large universe of private sector consulting firms in existence. The DES Mbarara expressed the desire to commission such work, even paying for it out of his own revenues; they felt there was an immediate improvement possible, in terms of the revenue portfolio and their projections of yield, collectability, etc. In addition, serious assessment of expenditure patterns and control might help them tighten up and improve the productivity of existing resource allocation.

2) A second, more ambitious effort would be the revision and improvement of GPT procedures, from enumeration through assessment to collection, accounting and auditing. This is the tax which represents the "staple food" of local service provision. Improvements in the central financial picture are unlikely to come quickly enough to have any short-term effect of providing a greater abundance central resources to the local governments; they have got to be able to count on a significantly larger, more elastic and more stable yield from GPT. Assistance to the authorities through the Ministry of Local Government (and perhaps other central agents) is necessary, although the initiatives shown by some of them in attempting to devise a pro forma and "training device" for assessors should be encouraged wherever possible.

3) Related but somewhat distinct is the area of accounting. Accountability is a central issue in Uganda. Tax collections will not increase until methods for graphically demonstrating accountability are in place. The RCs were one attempt to do this, but they are not sufficient — they are too weak and "remote" at the upper levels, and the level of mistrust is too deep. Accounting training for both technical officers in the local governments *and* RCs, at least the RC committees from RC2 on up, is essential. This might involve development of simplified accounting systems relevant to *specific* collections in Uganda — GPT, and self-help accounts, at a minimum — as well as long-term (six months to a year) training or up-grading of District Treasury staff, and short-term workshops at the RC5 level downwards. Workshops of this nature would be fairly cheap, even where residential, but would depend for their effectiveness on the development of practical and effective accounting methods and the commitment of MOLG to them, as well as secondarily on the training of trainers for this effort. Initially, studies would need to be done of: existing accounting regulations and procedures; the situation in the

field, sampling from at least the four standard regions of Uganda; and the ongoing initiatives of other donors in this field. Accountability is one of the two or three critical political issues Uganda faces; the system will not move without major progress in this field.

4) A Local Authorities Capital Fund, or bank. The Local Authorities Loan Fund is dead and no viable sources of capital funding have surfaced. Further information needs to be collected on what other donors in the financial sector are thinking here, particularly the Bank, which would be likely to have at least studies underway, and an assessment made of whether the commercial banking sector, or a strictly Government fund, or some other financial mechanism be instituted to finance local government capital development. There are no doubt thorny issues involved. Local governments have outstanding loans to the LALF (Mbarara claimed not to have), and no doubt in urban areas which run water, conservancy and electricity services there are large amounts outstanding owed *to* the local authority. Clearing the situation of cross-indebtedness is necessary, especially if commercial or quasi-commercial institutions are to be involved in lending to the local government sector. Further, there are a whole raft of "new" districts — 12 or 15 of them, created in the 1970s — whose immediate capital needs are administrative structures and staff housing, which should probably be funded centrally for reasons of equity (although they are presently using local resources, including self-help drives, to get such items as chiefs' offices in place).

5) On the side of promoting democratic local government institutions, the role of RCs needs clarification, and this is only partially a matter of re-drafting or further elaborating the enabling legislation. The vital "watchdog" function, which was at least a major motivation of the Museveni government's in instituting these popular organs, is in danger of being marginalised. RCs are doing too many other things, including jurisprudence (this may be necessary in the short term, given the problems and biases in the judicial system), tax assessment, and increasingly profit-making enterprise. When the RC committees become the owners/hirers of tractors, who will be the watchdogs? There is a clear need for both *national* and *local* level information dissemination on techniques for popular supervision of local government: for monitoring performance, requiring information, lodging appeals, finding productive channels to go to higher authority, publicizing local problems and requirements (as well as local accomplishments!), lobbying the NRC for necessary national legislation, lobbying national ministries for procedural changes needed in the way they do business, etc. This would inevitably involve workshops and seminars conducted at RC5 level — the critical node in the system — but also should involve the identification and nurturing of the associational network in the private sector, and NGOs, which can play a useful role. Women's organizations, wildlife and conservation NGOs, and the churches may provide some useful local models. In addition, promoting associations of local authority officials — RC5 chairmen, RC3 chairmen, etc. — along the lines of the Philippine Leagues of Mayors and Governors might be considered. They can learn useful advocacy skills from each other, and as a group could exert a reasonable amount of pressure, where individual RC committees acting alone cannot. Of course, study tours to observe American local government committee systems, advocacy organizations, and appeals systems could also be of use, but it is not clear that the context is sufficiently similar yet for the expense to be justifiable.

6) Legal assistance could be provided to the Attorney General and/or to MOLG in the area of formulation of bylaws. These take a very long time to be processed. The pressure of work presently overwhelms the resources available nationally, and that cannot be likely to diminish in the foreseeable future, with the constitution-drafting exercise on. Delay in gazetting of local

authority bylaws leads to cynicism locally as they cannot be enforced. Worse, the content of those gazetted raises serious questions of an anti-market model operating locally. Mandatory agriculture plantings and conservation works, in the absence of attention to the market infrastructure which would "rationalize" such production, simply reinforces the resentment of government, and de-legitimizes it. Here, what is needed is not clear; it might involve a top-down set of guidelines to the RC5s, drawn up by the Attorney General/MOLG, giving them permissible and impermissible types of bylaws, with examples and explanations, touching on both appropriate models of economic development and issues of enforceability and impartiality. (Communal work might be considered permissible, for example, as a form of tax; compulsory cotton planting would certainly not). But this issue would need to be pursued at national policy levels, perhaps through A.I.D.'s Capacity Building Project initially, since currently the Ministry of Local Government is approving such compulsion-oriented bylaws. (See Nebbi District bylaws, attached). Discussion of this issue with the appropriate sectoral ministry, and efforts to have their field personnel communicate a more productive strategy, should be considered.

These recommendations are made in the full awareness that USAID is particularly interested in pursuing democratic institutional development. In the Ugandan context, such institutional development is in train in a halting fashion at the local level, and needs to be supported. It especially needs to have a rationalized financial resource base, without which "watchdog" activities will wither and die for lack of any visible activity. At the same time, it is difficult to devise a detailed strategy for institution-building assistance in a democratic mode when the final shape of the institutions is presently being debated and may or may not see substantial alteration.

Ugandans are vitally involved in the debates over institutional structure and function currently taking place; many in senior positions on whom these ideas for technical assistance were tried out refused to commit themselves one way or another, but argued that the central constitutional issues *must* be addressed and resolved first; that the credibility of and faith in the system depended on what comes out of the national political process over the next few months. Thus, while proffering the elements of strategy at the local level outlined above, we now turn to the other half — the national political arena, governance, and democratic initiatives which should be pursued if A.I.D.'s sectoral strategies are to succeed in their ultimate and not just their proximate objectives.

National Governance: Prospects and Opportunities

The national government led by the NRM is engaged in an effort to resuscitate the entire political and civil order. As indicated, persisting levels of cynicism are severe; waning guerrilla armies abound; regional resentments are rife; and the currency of constitutional and electoral process have both been debased to the point where they are felt to need a completely fresh approach.

Previous post-Amin regimes foundered on issues of nepotism, ethnic favoritism, corruption, and the inability to contain the military and reduce the debauchery and excesses that years of military undiscipline had engendered. The Museveni government came to power promising to redress these. It remains to be seen whether these promises can or will be kept. The problems the regime needs to address thus include: 1) corruption, 2) regional balance, 3) ethnic balance, 4) a constitutional framework, 5) political pluralism, 6) demilitarization, 7) the renewed insurgencies in the north, 8) and human rights issues and abuses.

Constitutional Development

A great many Ugandans argue that previous constitutions were imposed on them and served other interests than popular, democratic ones. They desire to have a "real" constitution, one developed indigenously and setting out "rules of the game" by which everyone can agree to abide. The government has seen this as a central issue of faith which will test its legitimacy, and is in a laborious constitution-drafting process designed to meet popular expectations. (One prominent member of the ancien regime, a very respected member of the initial post-independence government, writes in the *New Vision*, the government's newspaper, that the initial constitution was perfectly workable but was not allowed to work. There is much truth in this, and it should be remembered that whatever shape a Ugandan constitution takes, it will only be as good as the agreement to abide by and nurture it).

The process has involved an extended educational campaign, carried down to the grassroots level, acquainting the population with the idea of constitution-making, with the need to air and present views, with the mechanisms for transmitting these upward and debating them, and with a vague timetable for producing results. This accomplished, a second round of consultations has been initiated and views actually solicited from all sectors of society. Memoranda are being produced and transmitted daily to the Constitutional Commission, and seminars continue to be organized to deal with specific interest groups. The traditional political parties were invited to participate in a recent seminar somewhat late in the process. The Democratic Party agreed, although lamenting the lateness of the invitation, while the Uganda People's Congress (Milton Obote's political force, but one with internal factions) declined, on grounds that it felt the tardiness of the invitation to participate in the process was a sign of the government's bad faith over taking seriously any input but its own.

A problem of credibility thus exists. The view is expressed, both in Kampala and outside, that the NRM has an "agenda" with respect to the constitution and that it will not actually permit alternative constitutional arrangements to be accepted, be they majority opinion or not. This seems a bit pre-judgmental — were this the case, it seems unlikely that the regime would allow such a full airing of these views. However, such is the depth of the cynicism, and the suspicion of the NRM government held in some partisan political quarters, that the process is viewed by some (not an insignificant number or stratum) as basically a manipulative smoke screen.

The variety of issues that animate this constitutional debate is extraordinary, and argue against this conspiracy theory. The basic framework of the political system is under debate. The range of views is considerable, and the volubility and frankness with which they are expressed argues for the openness of the system. There are a few discouraging signs, however, on some of these issues; there *is* a strong NRM point of view, and one which is not likely to be overruled. It may be the case that a compromise will be the outcome, with the majority opinions on several points carrying the day but a central core of NRM (and NRA) requirements being sacrosanct. Some of the issues being addressed that have relevance to the A.I.D. program and strategy are as follows.

Federalism. This is one of the two key issues for most Ugandans. The pre-colonial kingdoms, and in particular Buganda, were given special status under the federal system established in the independence constitution. Resentment of this status, and of the economic and political privileges felt to be conferred on Buganda, played a central part in the tragedy that followed. The desire for a federal system has resurfaced, not *only* on the part of the Baganda but certainly freighted with the meaning of "Baganda separatism" at best, Baganda hegemony at worst.

Basically, the federalist position is that strong and autonomous local governments in the regions is the preferred method of protecting Ugandans from each other, that is, from the depredations of oppression caused by regionally imbalanced domination of the central government. A strong proposal is to have this federal system based on the traditional districts, which number about 14. This makes more sense than the four recognized regions, which would likely be a springboard for regional animosities based on ethnic differences and lags in economic development. (The Household Budget Survey of 1989/90, for example, demonstrates significant differences in the level and variance in household expenditure — a proxy for income — across these regions; HBS, p.46, Summary Table 1). Unfortunately, the traditional districts would regroup the kingdoms, so this proposal is also shorthand for the reconstitution of a powerful Baganda state, which disturbs other areas.

Indeed, the Buganda heir apparent, Ronald Mutebi, recently announced the formation of a council of elders that would advise him and which "will be the official spokesman of the region and the link with the central government on matters affecting the region." (*New Vision*, 20 June, 1991, p. 1). Many important Baganda back the call for a return to the kingdoms; it is nevertheless a minority position throughout, and is not held by citizens of the other kingdoms. Support for the federalist position, which the US might otherwise feel very strongly a value, means essentially support for a type of regionalism considered oppressive and "reactionary" by many Ugandans outside of Buganda. An alternative, a unitary system with strong district governments, might be a more palatable solution.

The *real* issue is how to devolve powers to these, and how to limit the demand for fragmentation that has bedeviled Nigeria and other "federalist" systems, where devolution of real power and resources leads smaller and smaller units to attempt to attain autonomous status. There is already a perception that there are too many districts in Uganda — around 40, where initially there were 14 or so — and that the earlier set were a more economically viable division.

An American constitutional scholar recently discussed the federalist issues in the newspaper at length, arguing for the advantages of the American federalist system. Some of these are of great appeal to Ugandans, but the question of scale is relevant. This is, after all, a country in which almost every district headquarters is within an eight or ten hour drive — and most, more like two to four hours. The need for independent decision-making induced by American distances and eighteenth century communications is not present. What is present is a need to develop a system of self-sustaining local services, both social and economic, but at the same time a need to provide

compensatory investment to regions hitherto less developed (equity being a central value in the system) and to maintain national leverage in the case of refractory localities.

The issue of local militia was also discussed in these articles. It was suggested that local militia are an important element of security for a society which feels the heel of oppressive military forces, either from the central government or from rebels. This, too, seems to relate to another time and place; the notion that an African military regime which had to fight its way to power against assorted guerrilla armies would voluntarily devolve the power to constituent political units to throw up competing militia seems fairly unlikely!

In sum, the issue of a federal, or modified federal system is a major question mark in the constitution-making process. It is one that has much to recommend it given the regional antagonisms engendered by many years of civil strife in Uganda, but also one which (it is felt) was in part *responsible* for the deterioration of the post-independence political system into these violent antagonisms. The betting in many quarters is that a federalist system will be rejected. If so, USAID is most likely to be confronted with a system in which its major opportunities will involve assistance in devolution of power and responsibilities within a unitary system.

Party pluralism. The other issue animating Ugandan political discussions in every corner is that of political parties. Pluralism is a larger issue than simply the surface issue of competitive parties, as will be discussed further below. However, the "multiparty" debate has caught on all over Africa, and is raging in Uganda. One observer with lengthy experience in the rural areas claims that the citizenry is rather evenly divided, 50 percent favoring the legalization of party politics and 50 percent opposing it, the latter on grounds that the traditional parties brought nothing but chaos and that public sentiments are too bitterly divided by this history to permit democratic, nonviolent party politics to ensue. This is the position the NRM government has taken, arguing for a "no party" system with all political tendencies being able to participate in the Resistance Councils and Committees.

Accordingly, it has allowed the political parties to exist, but not to contest elections; that is, *individuals* from the parties can contest, but their partisan affiliation must be referred to in no way. The Democratic Party in addition publishes a newspaper, *The Citizen*, which is moderately anti-government; the UPC is in a more embattled position, claiming to face continual harassment and taking a more confrontational stance vis-a-vis the government. The Democratic Party is said to have done quite well in its traditional areas (Buganda) in the RC elections in 1989; the UPC, on the other hand, advised its members to boycott the government, in effect. Nonetheless, a few UPC stalwarts have stood for and attained office. The UPC is in the unenviable position of being the previous "party in power" and being thereby viewed as responsible for the fiascos of the second period of Obote's rule, from 1980 until 1985.

Gender Issues. The existing constitution asserts that persons should be treated equally, except where there is conflict with customary law, which will prevail. Customary laws governing marriage, divorce, inheritance and property rights are in some regions very discriminatory against women, affecting their social and economic well-being. The Ministry of Women in Development conducted a national consultation on women's and provided recommendations to the Constitution Commission. The main recommendation was that customary laws, practices and religious beliefs detrimental to women should be abolished. Within this broad framework, there was some disagreement, (e.g. abolition or retention of bride wealth) regarding regional, ethnic and economic differences. However, overall there was consensus that no form of sexual discrimination should be allowed.

Popular views cannot really be accurately measured without more thorough methods than the interviewing done for this document. It *can* be confidently stated, however, that in important circles of the elite, the view is fairly strongly in favor of political parties. Most staff at the University, as well as many private sector individuals, both in Kampala and outside, made forceful representations to the effect that political choice was what people wanted (even more importantly than economic objectives) and that this meant permitting political parties, that is, allowing them to contest electoral campaigns openly as parties. A few individuals, generally in the rural areas and classifiable as rural elites *without* ties to the traditional political parties, oppose the idea and claim that it will result in complete stalemate in terms of community efforts at development. They point out the sectarian nature of the traditional political forces — based on a complicated web of religious and traditional clan/lineage statuses — and argue that these will dominate any renewed partisan political debate.

Those favoring parties argue that Ugandans have learned from the bitter experiences of sectarian division, and that the parties would be responsible in future. More to the point, they argue that the National Resistance Movement is itself a political party, albeit a very weak one which has not done its homework in terms of organizing a grassroots support base outside of its initial areas of liberation. The real reason for the opposition to parties, in this widely-held view, is simply that the NRM would lose any partisan political conflicts. The Mission could not find evidence that the parties have serious, detailed political platforms that would allow the electorate to base political choices on real differences in policy approach to the central issues of development.

It is thus difficult to see how the problem of politics based on personalities and sectarianism would be resolved, were the traditional parties to be allowed to re-emerge. Nonetheless, there is a very strong body of opinion among the opinion-leaders consulted that competitive parties *must* be allowed, and that none of the initiatives of the NRM government has a chance of success until this issue is resolved. The banning of partisan politics is taken as evidence of bad faith. The NRC extended its stay in power for five more nonelective years recently — elections had been expected in 1990/91 and now are put off until 1994/95 — and one member of the NRC claims he voted for this extension against his better judgment, being afraid not to. The implication was that with a political party behind him, he and his like-minded colleagues could have stood up and opposed this move, the party offering some degree of protection where *individuals* perceive themselves as utterly alone and vulnerable.

This may be a stronger argument for the need to permit partisan politics — the need to combat the phenomenon of vulnerability of the individual opponent of government policy, which leads to the incredible "bandwagon" effect and lack of protest in Africa against misguided or oppressive policies. It is not so much an issue of choice for the electorate, at the moment, since the parties all tend to run on similarly "developmental" platforms bathed in generalities, of a fairly populist sort. Rather, it is a matter of providing the institutional underpinnings for the development of a "loyal opposition" — which is really what a "watchdog" is, in western democratic theory — and which is basically lacking in African political thought and practice (compounded to some degree by the Westminster model, which puts such an emphasis on the unity and solidarity of the government; further compounded by the notion of "collective responsibility" which overrides any notion of *individual* responsibility in at least the East African political systems).

At the same time, the risk must be recognized. The parties in Uganda do not have a basic trust either in the system or each other. Competition could well result in the same types of violence, chicanery and stalemate as in previous periods. It seems likely that the NRM is going to preclude partisan politics in the near future, but it might be persuaded to allow the parties gradually to resurface

as "public interest" bodies, lobbies, etc., and this might permit some transfer of western ideas about loyal opposition, coalition formation on the basis of economic interest, and the like. Some of these types of activities are already underway, on the part of the Konrad Adenauer Foundation, the Friedrich Ebert Foundation, etc., as in other countries in the region (such as Kenya). USAID might explore this possibility, both with the NRM and with the other parties, which might appreciate assistance with information-gathering and processing activities, which could be a springboard for a more serious approach to policy analysis and formulation.

Electoral System. Parties are only one, albeit the most heated, issue in the debate about the nature of the electoral system. Others include the type of representation, the length of terms and the number of chambers. On the latter, the American system has been proffered by some as a method for dealing with the protection of minorities — that is, a second chamber based on territorial units rather than popular representation, giving the "small states" (here, districts) a greater voice, as their best protection. This might be an alternative to a federalist system, more in tune with the spatial realities of Uganda, which are not similar to those of the US.

An electoral system based on proportional representation rather than the winner-take-all constituencies of American and British practice is seriously suggested by those concerned with the minorities protection issue and with the strength and vituperation of the traditional political divisions in Uganda. The idea has merit; only when the parties are convinced that they will not lose everything by having a slightly lower vote total will they be willing to participate less manipulatively in electoral contests, and is the degree of violence likely to abate.

Finally, the desire for term limitations is being heard from all corners. RC committee members' terms are currently two years; this is considered too short to accomplish much, and likely to lead to activity based on the need to get re-elected rather than to devise and implement sensible long-term development programs. Both these and NRC terms are likely to be revised to four or five years. In addition, a limitation to two terms is sounding increasingly popular, up to and including the office of the presidency. This would be something of a radical departure for Africa, but is being discussed around the continent at the moment. The skeptics in Uganda — of whom there are many — feel this is not on the NRM's agenda and that Museveni will not agree. The argument is that mistakes made by the government, of which such skeptics point to many, will not permit a near-term stepping down, for fear of retribution by successor governments.

Role of the Military. The role of the military in the government has already been made problematic by its role in the constitution-making process. It has been given veto powers over the eventual arrangements reported out by the Constitutional Commission. Presumably this is to protect its own vested interest; presently it has something resembling a controlling membership in the NRC, given that the rest of the representation is not party-political and thus not able to present any blocs. ("Historical" members of the NRC are around 38, these being the guerrilla commanders who fought in the campaign with Museveni and who are his most trusted set of co-patriots). Whatever the shape of the constitutional arrangements, they are likely to enshrine the role of the military, which many see as the real base of power for the NRM (its grassroots *political* organization being weak to nonexistent).

Members of the Constitutional Commission argue that it is necessary to incorporate the military into government and society as fully as possible in Uganda, in order to domesticate it, given the lengthy history of military undiscipline and intervention. They propose (and government is presently in the process of constructing) a version of "people's militias", arming civilians in the rural areas in order that they can resist the tyranny of further rebellion and depredation. How this relates to the

existing military is unclear; elites in favor of political parties are also generally opposed to the level of militarization that continues, and that continues to weigh heavily on government budgets.

Nonetheless, the approach is popular in some outlying areas which have been and continue to be plagued by rebel and common criminal activity. They refer to it as "demystifying the gun", and say it has given rural communities a measure of security and confidence they were lacking previously. To many, it sounds a bit like the pop-radical slogans of Che Guevarra and the like; one has the feeling of foreboding that this can only lead to a situation like that in the Philippines, where every public office has a sign up at the entrance requesting visitors to park their firearms at the door.

The issue is a real one, however. Uganda has for too long been the preserve of contesting military and guerrilla forces to be able to simply put the military back on a short leash and assume that it will behave professionally in the western sense. It is very large, having ingested numerous of the militias previously contesting for power. Rather, the model may be one of gradual incorporation as a productive force — giving the army civilian construction jobs to do, maintaining it at a low level of sophistication with respect to weaponry, and continuing to "demystify the gun" among the populace at large.

Resistance Councils and Committees. Finally, further elaboration of the RC system can be expected to form part of the new constitution. The powers of RCs are not clear with respect to recall of NRC members, discipline of errant civil servants, levying of development taxes and a host of other issues. These matters are being put forward in memoranda from the RCs themselves. A.I.D. will watch with interest the resolution of these questions with respect to real devolution of power to the local level. Decisions one way or the other will have relevance for the strategy A.I.D. follows in identifying institutional levels with which to work. It is to be hoped that RCs are given real powers but that they are delimited carefully, that they do not include economic enterprises but rather elaborate the "watchdog" role and give the RCs tools with which to pursue it. This will be at the core of USAID's strategy in policy discussions with GOU, and in terms of technical assistance where appropriate.

Corruption

Corruption is the single most important issue with respect to regime legitimacy in Uganda. Corruption is pervasive, institutionalized, and has become almost mandatory because of the civil service wage structure. It prevented the Lule and Binaisa governments from gaining popular legitimacy, immediately post-Amin, and formed the core of the Museveni government's promises for reform. Ugandans themselves point to corruption as crippling and bewail their universal participation in it; but it is not clear that they really see many of the practices labelled as "corrupt" as *wrong,* when practiced by themselves for the benefit of kith and kin. In short, there is no consensus on what corruption *is, although* it is universally lamented and lends a strong note of pervasive demoralization to discussions with Ugandans about the future of their political system. (This seemed equally as true among rural citizens as urban).

Regime stabilization and legitimacy depend upon some resolution of this situation. USAID has made an effort to assist with an advisor supplied to the Departed Asian Properties Custodial Board (DAPCB), the entity charged with disposition in a just and equitable manner of the properties seized by Amin when the Asians were expelled. This unit is nonetheless a lightning rod for cynicism and criticism of the regime's lack of progress in combating corruption; members of the elite to whom

"departed Asians'" properties have been allocated are reportedly making high rents from them, and hiking rents and dispossessing both commercial and residential tenants. Museveni recently indicated action would be taken, although the specific action is not clear. Some properties or compensation has been returned to Asians this year. More are likely to be soon. However, it is not clear that this is the issue; the issue is the "inequitable" rents that members of the government/elite (including the NRA) are getting from these properties, while others eke out a precarious existence on civil servant salaries, not the notion that they should be returned to the Asians. While US commitment to the rule of law and of property rights should be expressed clearly, a US-style resolution of the DAPCB issue is not necessarily the one that will increase faith in and legitimacy of the system.

Corruption is not a phenomenon which can be attacked on all fronts at once. USAID's approach has been the correct one, in attempting to deal with the most visible symbol of corruption and inequity in the system. Corruption at the level of the elite, which tends to involve large amounts of money, is potentially very destabilizing in the African context — especially so because of the importance of the value of "equity" in the political culture. "Corruption" at the lower levels, in terms of the widespread "reallocation" of public goods and services, or the extraction of minor amounts of "rent" to perform them, is less destabilizing. (It is also so widespread that to count on its near-term abolition is unrealistic in the extreme). The latter must be worked on, methodically but un-ideologically, through the construction and operation of accounting systems tailored to the types of abuse that are most common (these will change as loopholes are plugged; most of all what needs to be instituted is a an approach based on flexibility rather than mechanistic controls, which are easily subverted).

This will take time. Time is available for the gradual institution of accountability over the provision of public goods and services at the local level. Time may well *not* be available for the reform of the system at the top, so this should be the focus of specific messages from USAID and the Embassy, pointing to specific instances where possible. The complicating factor is that the phenomenon is so pervasive, and African cultures do not consider "just" the singling out of one or two individuals where others are known to be equally as guilty. The wisest tactic is to point to specific instances or abuses, then, rather than specific individuals; to refer to whole ministries as difficult for A.I.D. to work with, rather than specific ministers. The message will not be missed.

Regional Balance

After constitution-making and corruption, regional balance is the issue next most important in the maintenance of regime stability and pursuit of economic advance in Uganda. North/south antagonism reached a new low in the Obote II period, with northern domination of the government bitterly resented in the south, and fuelling the current southern impetus toward a federal system. Regionally balanced development is necessary. It is made increasingly difficult by the "security" situation in the north. A major problem is the previous dependence of the east and the north on cotton for their major cash crop, and the fact that cotton rehabilitation is in such a precarious state, as compared with coffee rehabilitation which seems likely to be easier and push the south that much further ahead, that much faster.

A.I.D. needs to monitor the situation of regional balance, perhaps even to the extent of introducing economic indicators along these lines. It is not clear whether the statistical base would permit this, but it might; the Household Budget Survey gives basic regional data, so presumably the statistical department in the Ministry of Planning collects some regional data. The development of a monitoring system with respect to regional economic and infrastructural progress might be an

undertaking of the Capacity Building Project in A.I.D., either commissioning the work out to private sector research entities, the University, the MPED or some combination (preferably the last).

Perceptions of regional balance are going to be even tougher to sustain with the imminent reductions in the Cabinet deriving from the recent Bank/IMF agreement. One symbol of regional balance in the past has been ethnic balance in the Cabinet — wide representation of all communities, including regional and political groups hitherto standing fairly aloof. With a reduced Cabinet, the core coalition will become much clearer — be "de-mystified", in Marxist terms — and the centrality of southern, and particularly western, influence in government is likely to be laid bare. Faced with this, the Government needs to be able to monitor budget allocations and demonstrate regional equity in its undertakings. This would seem an ideal opportunity for analytic capacity building, giving the GOU tools to demonstrate good faith. In lieu of such a public relations campaign (always assuming the GOU actually pursues an equitable allocation policy) there is likely to be substantial erosion of public support based on not necessarily accurate perceptions of regional allocation and progress.

Pluralism

As suggested above, parties are but one facet of pluralism. To look at parties as organizations aggregating the views and interests of individuals is simplistic. Parties are the culmination of a process of interest articulation and aggregation which involves, at its best, a myriad and diverse network of associations characterized by "cross-cutting cleavages" — that is, associations which group individuals in varying and different combinations, rather than compounding the primordial identifications of ethnicity, religion, etc. The Republican and Democratic parties in the US are of this type. They speak not for individuals but for groups, interests — labor, business, women, minorities, conservationists, religious groups, and the whole welter of economic and social interests which Americans have thrown up to organize and influence the social allocation of resources.

This associational network is vital to the construction of a civic culture. Political parties formed in its absence are merely hollow shells, generally bending with whatever wind that blows, not actually representing specific economic or social interests. Thus, the true objective of A.I.D. in the political sphere should be the promotion of this associational network and of the concepts which underlie it — freedom of thought, speech and association. If social organizations are numerous, diverse, healthy, and free to exert influence, the political function is ipso facto being performed, and the restriction of political parties qua parties is less serious. If these social organizations are weak, proscribed, and inarticulate, then the nature of the representation of political *parties* in the system is unclear.

The associational network in Uganda is relatively abundant and free. The mistrust bred of years of civil violence has put something of a damper on the fuller emergence of social and civic organizations. Nonetheless, there are fledgling efforts to organize and lobby, on the part of women's organizations, professional associations, labor, and the NGO network, both sectarian and non-sectarian. These need to be encouraged to the maximum extent possible, both in terms of financial support and technical assistance with the tactics of organization, formulation of positions, development of alliances and lobbying in the public arena. A careful strategy tailored to the associational network and its influence on public debate and national decision-making will serve the same purpose — indeed, a prior purpose — as the strident advocacy of multi-partyism which threatens a politically weak regime.

U S A I D

COUNTRY PROGRAM STRATEGIC PLAN

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A.I.D.'s strategy should be directed at the fullest possible elaboration of and support for this associational network, and at enhancing its ability to formulate policy positions in a way which aggregates interests across primary groups, building compromise and consensus. Political parties are one of these types of organization, but are really at the apex of the hierarchy. Work on policy research and advocacy methods at the base of the pyramid, rather than its apex, may have longer-term benefits.

A related issue, freedom of speech, and of dissent in the African context, is of equal concern. Here, the press in Uganda is encouragingly free, portions of it shading off into the irresponsible (a recent broadsheet from an Islamic-sponsored organization, for example, complained bitterly about the major amounts of *military* assistance that the NRM government was going to be receiving from the U.S.!). While some partisan force complain that they cannot get a hearing in the press, most observers see he government-controlled newspaper as a decent and intelligent one, compared especially to others in the region, and its standard of reporting as quite high. Journalistic standards in the other papers vary, and need considerable improvement if the popular press is to gain credibility and trust from the citizenry, let alone the government. This is an area in which USIA has worked and will continue to work.

Finally, freedom of expression must be accompanied by the drive to incorporate new and useful information into the policy making process, and thus to seek it out. A recent complaint about the level of parliamentary debate makes a telling point. The quality of policy made at the national level is not only dependent upon competition in the arena of who gets to make it. It is also dependent on the quality of the analysis which goes into its conceptualization. This is a function of the analytic capacity of the system.

It is an unfortunate fact that African political regimes are not analytic. They are frequently quite responsive to good analytic efforts that find their way into the system, but they do not approach the formulation of public policy through a method that looks at data, methodology, alternatives, etc. This is an area of potentially great opportunity for USAID, both in terms of the *organizational* aspects of enhancing the policy process — for example, the US Congressional committee systems, its statistical services, library resources, lobbyists, and other aspects — and in terms of substantive ideological and analytical tools (privatization is one example of this, one which has finally made its way into a position of general legitimacy in Africa; protection and safeguards for minorities is the next one which needs to be addressed, and systems of checks and balances a third).

Thus, to sum up this point which is central to the "democratization" initiatives A.I.D. wants to promote, pluralism is a function of at least three system attributes, and not merely of the number of political parties permitted or appearing in a system. These three are the richness and degree of cross-cutting aggregation of the associational network; the sanctity of freedom of speech, press, and association; and the active pursuit of information in support of policy formulation. Uganda gives much room for USAID to assist in these areas, with a political environment which is basically receptive and thus basically "pro-pluralistic", if current readings of it are correct. The types of initiative which should be pursued are outlined below.

Human Rights

The human rights situation under the Museveni government is clearly better than that of most of its predecessors (there is a core of belief opposed to the NRM which avers this not to be the case, however). Nonetheless, there are a few areas that present a cloud on the horizon. Primarily they

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relate to the NRM's campaign against renewed insurgencies in the north, which it characterizes as basically having dissolved into simple banditry, and which it is attempting to deal with by operational sweeps in the affected areas.

Human rights violations have occurred in the process. These include some deaths, torture, and "scorched earth" tactics in a few places, as well as the arrest of 18 prominent northern civil servants who have been accused of — but not yet charged with — treason. There is a flavor of desperation to these maneuvers, increasingly, and they have not attained their objective of pacification in the north, while they have seriously disturbed numerous Ugandans as well as the international community. This is a situation which State is watching closely; it underlines the need for *developmental* efforts in the north, which can redress the wrongs that northerners feel — rightly or wrongly — have been visited upon them, and which thereby fuel disaffection and mutual mistrust.

Support for those Ugandan organizations, such as lawyers, judges, and other professional groups who are willing to comment publicly on these activities and to express disapproval, might be a more effective (if undiplomatic) method of addressing the issue head on than the quiet diplomatic interchanges engaged in to date. While this approach has had its downside in Kenya, at the same time it has won many African supporters and boosted the morale of those in the system with the courage to speak out. In the long run, it is these — and not international governments — who will have to shoulder the human rights "watchdog" role, so it is probably best that they be supported organizationally however possible now.

Summary

These, then, are the central *national* political issues and the environment within which USAID is addressing developmental goals. As indicated, much of A.I.D.'s program depends on the evolution of strong and self-sustaining local institutions, and the types of effort which will be undertaken to support this was outlined above. However, it has been made clear that the legitimacy of the NRM government and thus the viability of the system it has articulated depend on the resolution of some of these national political conflicts. A.I.D. cannot be involved too centrally in the constitution-formulation process, for a whole host of reasons, sovereignty not least among them. To the degree that the system designed could benefit from technical assistance on procedure (whether committee structure and function, statistical and other information services, or advocacy models) these will be identified as the opportunity arises.

However, much will depend on the resolution of the conflicts over party politics, the extension of direct elections into levels above the grassroots, the introduction of term limits, and the implementation of checks and balances and accountability procedures, especially at the top level in the system. Without strong and acceptable action in these areas, the legitimacy of the government is imperilled and USAID's efforts will be fraught with disappointment. Opportunities for assisting at the national level in line with the above assessment are thus being elaborated as follows:

1) Assist the development of the associational network. Help with the development of professional and commercial associations; fund policy research done by such associations; commission policy research by independent research institutions and the university; sponsor workshops and short-term training fellowships on advocacy procedures, resources, etc. in the international network; fund legal representation where the associational network runs into problems of registration, accreditation, etc. Major progress on democracy initiatives absolutely depends

on the support of the local professional associations, and in other countries these have been in the forefront of such calls for liberalization as have been raised. This associational network should be as broadly conceived as possible, including:

- professional associations (lawyers, doctors, journalists, university staff, even nurses, social workers, and the clergy)
- women's organizations
- research institutions
- manufacturer's associations
- labor unions
- political parties
- churches
- private NGOs, with and without sectarian ties
- cooperative unions and societies
- Young Farmers, Boy Scouts, Girl Guides
- cultural associations (?)

2) Seek out modalities for familiarizing Ugandans with the American (and possibly British or Scandinavian) legislative committee systems and procedures; assist with a parliamentary library and reference materials, with the institution of statistical and reportorial services, with basic research services, with assessments of staffing needs, etc. Sponsor study tours for legislators, RC5 Chairmen, and other persons at critical policy-making nodes in the system. Run workshops and seminars on how to do basic legislative research, on advocacy procedures, and on "watchdog" functions and procedures.

3) Assist in upgrading of the quality and quantity of the press. USIA is already doing this in a limited way. While the press that exists is "free", it is pretty scanty and shades quickly off toward irresponsibility. Assistance here might be in the form of access to news services, more fellowships, assistance for in-country journalism training, and attention to other mass media, such as radio.

4) Increase information in the system. Commission studies on vital policy areas receiving short-shrift nationally — corruption, health concerns (not just AIDS and family Planning, but fees for services, the functioning of the "parallel" medical establishment, etc.), methods for improving the educational system, etc. Areas needing immediate attention could be identified and formulated through the Capacity Building Initiative project. The results of such studies should then be injected into the system through as much publicity as possible. It really is the case that the quality of public policy will not improve just through electoral liberalization. There has to be a heightened analytic drive and grasp in public arenas, and a consistently greater infusion of new *information* into the system (in this respect, CNN has been a godsend in this region).

Overall Strategy: Summary

Overall, A.I.D.'s strategy is to work on two fronts. Most immediately important for the bulk of the development program is the area of local institutional strengthening, and this requires attention to the financial and procedural foundations of the local government system. Areas of focus have been indicated.

At the same time, it has been made abundantly clear that the legacy of political disorder nationally has left the citizenry in a state of unrest and suspicion with respect to the motives of *any* national government. They require to be shown that things are really better and that this government will last; they therefore adopt a wait-and-see attitude and indicate in passive ways (such as unwillingness to pay taxes) an unwillingness to commit themselves to the regime, until certain national political issues are resolved. These include most prominently the adoption of an acceptable new constitution; the liberalization of the electoral system to permit more direct elections and the functioning of political parties (with vocal minorities in opposition to these); and forward movement on the issue of corruption, particularly at the *top* of the system. Over the longer run, serious attention to regionally balanced development, to efforts to reduce the military, and to even clearer commitment to human rights are likely to agitate public consciousness. USAID's role will be the nurturing of the associational network (including but not limited to political parties), technical assistance on legislative functioning both of a policy-making and a "watchdog" nature, and assistance to human rights organizations and individuals willing to speak out and take risks locally.

ANNEX C-3

AGRICULTURE AND NATURAL RESOURCES SECTOR

Annex C-3
Agriculture and Natural Resources Sector
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Agriculture and Natural Resources in Uganda

Introduction

The sustainable use of the agricultural and natural resources is the basis of economic production and the underpinning of development in Uganda. A successful strategy in agriculture will hinge not only upon rehabilitating, diversifying and increasing production, but equally on providing mechanisms and positive incentives for sustainable agriculture and forestry production practices and wise resource use strategies. The challenge facing USAID is to help Ugandans meet their short-term needs, while laying the foundation for long-term growth and sustainable development.

Because the vast majority of the population is involved in agriculture, and agriculture plays a central role in providing foreign exchange and government financing, it is especially important that the majority of rural producers have the incentives they need to produce for cash markets. Thus our first sub-goal is promotion of sustainable, equitable economic growth on a competitive, diversified basis. Vibrant cash economies in the rural areas provide great potential for local communities to capture surplus revenue for investment in the social services and infrastructure they need. Value-added at all stages of the marketing chain, including exports, is the greatest potential source of sustainable, equitable economic growth and improvements in the standard of living of Ugandans.

The program sub-goal to conserve and sustain Uganda's biological diversity and improve sustainable use of forest and soil resources fits well within the narrow focus of the Mission strategy. The creation of new parks and protected areas, changes in policies and legislation regarding parks, development of park buffer zones, improvement to forest utilization and spread of technologies to increase yields, protect fragile lands and conserve the soil are central to the Mission's natural resources management program, and can be achieved through use of PVO umbrella grants and other mechanisms to reduce the management intensity of diverse small — and sometimes experimental — project activities.

The land base of the natural resources activities, when coupled with the specific conservation and agricultural production activities in the buffer zones, gives the agriculture and natural resources programs some strong linkages. Just as resource conservation is an important part of agriculture, the natural resources program will depend on more productive and viable agriculture to provide people sustainable alternatives to destroying the very resources that they depend upon for both their development and survival.

Agriculture Strategy Elements

A. Export Diversification

In the past Uganda's farmers were heavily dependent on a few export crops - coffee, tea, sugar and cotton. The result was that farmers rapidly lost cash income sources when the world prices for these crops declined, and when cooperatives, parastatals and government marketing boards ceased to function efficiently. The USAID response has been to assist export diversification. The first part of the USAID strategy to diversify exports has been successful policy dialogue to eliminate many of the policy disincentives, laws and regulations that impede non-traditional exports. Secondly, USAID provided technical assistance to private sector firms and organizations involved in export crop production.

B. Strategic Agricultural Research

The USAID's efforts in agricultural research and technology development should be focused on selected regions, specific problems and topics, or special critical needs rather than on broad-based support to research. General agricultural research support lies outside our program focus. However, specific research topics will contribute greatly to achievement of our goals. This includes research for disadvantaged regions targeting specific crops (e.g. oilseeds) for the north, improvements to agroforestry based farming systems in the southwest or mixed farming systems in the north. Research on specific topics could include: agroforestry and soil conservation for fragile lands, non-traditional export crops, etc. Research on serious disease problems like Cassava Mosaic Virus or Black Sigatoka in bananas, which has the potential to devastate staple food crop production, should receive special attention as a critical need.

C. Targeted Capacity Building

USAID's Capacity building efforts should also be targeted, instead of being broad based. Targeted capacity building in agriculture may include training in: accounting, business management; marketing, agro-processing and production for specific crops or groups of crops; selected areas of natural resources management, tourism, etc.; soil erosion, fragile lands problems, etc. Whenever possible capacity building should be directed so that it supports USAID field activities.

D. Promote Agribusiness and Market-Related Activities

From the wide range of potential activities that the Mission could undertake which would improve the overall agribusiness network within Uganda, we have focused on a narrow set of those which address the most criticial constraints to achievement of our economic growth subgoal. As part of CPSP design we considered: developing marketing information systems, promoting national market standards, improving post-harvest storage and processing, assistance to agro-processing industries, and support for developing better packaging for agricultural exports. The private sector is capable of addressing these better than government or any diverse assortment of projects USAID might undertake, so our program will center on facilitation assistance to the private sector. Also, efforts targeted to specific regions, farmer groups or crops will likely be more effective than generalized support to a segment of the agribusiness sector.

E. Vertical and Horizontal Strengthening

When USAID re-established programs in agriculture in 1986 the projects focused on relief efforts to rural areas. With time they evolved into rehabilitation efforts to strengthen organizations like the cooperatives, the university and government agencies. Programs have evolved to the stage where projects center more of their attention on development issues and problems. Because of the changes that have taken place during this program evolution, USAID has shifted somewhat from broad-based or horizontal strengthening, to narrow or vertical strengthening of sub-sectors.

For example, in the area of non-traditional exports, USAID has provided vertical assistance at all levels: policy, agro-processing and production. This is quite different from the horizontal support given to the cooperatives in previous years. Programs and collaborating organizations will differ in needs and absorbtive capacity for both vertical and horizontal-types of assistance; USAID should keep this in mind during program and project design.

F. Resources to Women Farmers

Women are generally acknowledged as primary actors in the agricultural sector; especially in production, harvesting, post-harvest handling and transformation. USAID will increase women's access to external resources in order to increase their productivity. Specific activities will include construction of a women's dormitory at an agricultural research station, expanding services to women through one of the CAAS projects, and policy initiatives that reduce or eliminate cooperative registration requirements.

To provide a clear(er) picture of women's involvement, USAID-assisted activities will focus greater attention on collection and analysis of sex-disaggregated data.

Natural Resources Strategy Elements

A. Changes to Environmental Policies and Laws

Uganda has a set of laws and policies regarding the environment and management of natural resources which have not been updated and reformed for many years. This situation has created confusion which has resulted in overlapping and conflicting mandates for different government agencies. An important strategic element of Uganda's efforts in the natural resources sector will be to work with the government of Uganda to reform existing laws and create new laws that will better serve to protect and utilize the nation's natural resources.

The National Environmental Action Plan (NEAP) will be a key element of the Action Plan for the Environment. Through the NEAP process government, private sector, donor, PVOs, NGOs and rural people will have the chance to discuss Uganda's environmental policies and laws and propose reforms.

B. Reform and Strengthen Environmental Institutions

Like many countries, Uganda suffers from the problem of having government agencies and institutions which are not adequate to manage the natural resources utilization and conservation problems that the country faces today. Some agencies have overlapping and competing responsibilities in environmental management, while other ministries and departments do not have sufficient institutional and political strength to enforce environmental laws within their mandate. Another facet of this same problem is that staff training in environment and natural resources in most ministries, departments and agencies has fallen behind. Institutional reform and strengthening will be a vital part of the USAID's natural resources program.

C. Conservation of Protected Areas

The protection and conservation of national parks and forest reserves is a central part of the USAID's efforts to preserve the biological diversity of Uganda. This element of the natural resources strategy supports the Africa Bureau's efforts in biodiversity protection in Uganda, as well as other countries in the region. Creating two new national parks and increasing the protection status of three forest reserves will be the main focus of this strategy element.

D. Soil Erosion Control

Soil is a natural resource upon which agriculture is fundamentally dependent, and the importance of agriculture for Ugandans makes soil conservation a crucial natural resource issue. Fragile lands like the steep hillsides of the Kabale region, and those areas surrounding the Rwenzori Mountains and Mount Elgon are greatly at risk from severe soil erosion. Increasing human population, tillage on very steep slopes, reductions in forest and range cover, reduced size of landholding and absence of adequate erosion control terraces are all signs that changes in the agricultural production system are urgently needed. The introduction of agroforestry techniques to control soil erosion will be a key feature in the USAID natural resources strategy. Special emphasis will also be given to including women and children in design and implementation of soil erosion control activities.

E. Halting Deforestation

Preventing deforestation and further degradation of the high tropical forests of the west and southwest is a pivotal element in the Mission's strategy to conserve the unique biodiversity of Uganda. The protection of forests like Bwindi, Mgahinga and Kibale will be an integral part of the Action Program for the Environment (APE).

F. Reducing Conflicts Between People and Parks

The pressure of unmet needs for food, land, cash income, fuelwood and building materials of Uganda's rapidly growing human population makes it inevitable that protected forest reserves, national parks and wildlife reserves will be viewed as luxuries that should not exist in an impoverished country. The attitude that these are areas for "rich, white tourists" who care nothing about Ugandans, will grow with the population. An important part of USAID's natural resources strategy will be to reduce the conflict between people and parks. Our focus will be on a small subset of possible interventions where we can work through NGOs and policy reform: 1) park revenue sharing for community infrastructure development in areas near the parks, 2) employment of men and women living near the parks and reserves, 3) sustainable timber harvesting from forest reserves, 4) permission to harvest minor forest products, 5) programs to educate communities on the importance of conservation and the benefits they receive from the parks and reserves, and 6) the development of agriculture and income generating activities for men and women in the areas surrounding the parks and reserves.

G. Natural Resources and the Private Sector

The protection, development and utilization of Uganda's natural resources is not viewed as the exclusive domain and responsibility of the public sector. USAID's natural resources strategy fosters private sector involvement: 1) the NEAP process will make use of private consulting firms for a number of its environmental assessments and related studies, 2) APE will promote legislation which gives the private sector opportunities to operate tourist services within parks and protected areas, 3) as Uganda's tourism grows the private sector will have numerous opportunities to provide hotel, travel, craft sales and related tourist services.

Natural Resources - Issues and Strategies

A. Biodiversity Protection

There is a great need to protect and preserve Uganda's indigenous wild plant and animal species. Uganda is unique on the African continent in the diversity of native plant and animal species that are concentrated in a relatively small area. Fifteen years of war and chaos have exacted a heavy toll on this unique heritage, and unless protective measures are put into place, the human population increases of the coming years will further reduce the nation's rich biodiversity.

USAID's goal in biodiversity protection is to preserve plant and animal species by protecting their natural habitats. The activities that we expect to see flow from our limited interventions are: 1) protect habitats by restricting access to selected critical habitats, 2) support income generating activities for rural men and women living in areas adjacent to habitat boundaries, 3) improve the government of Uganda's capacity to manage and protect their plant and animal resources, 4) increase nature-based tourism and ensure that more of the economic benefits from tourism go to communities near the parks and natural habitats, 5) improve coordination between government ministries so that they act in concert to protect the country's natural resources, and 6) educate people about benefits from the sustainable use of resources for a broad segment of the population, rather than the rapid one-time exploitation by only a few.

B. Soil Conservation

The importance of soil in Uganda cannot be overemphasized. Uganda is heavily dependent on agriculture for government revenue and foreign exchange earnings, and a majority of the population earns its livelihood from farming and provides the nation's food. The impact of environmental degradation is most severe for women, who are the primary cultivators and depend on agriculture to support their families. USAID's emphasis on using agriculture as the centerpiece of efforts to increase rural income and agribusiness as a vital part of private sector development underscores the need to protect the soil resource base that supports agriculture.

The need for soil conservation is especially critical on the densely populated, steeply sloping fragile lands of the highland regions. Areas of Southwestern Uganda, like Kabale, are heavily populated; farmers have few opportunities for alternative sources of cash outside of farming, and the soils are especially susceptible to severe degradation from soil erosion, deforestation and nutrient leaching. Therefore, these fragile areas should receive first priority for programs to establish sustainable farming systems which have soil conservation and nutrient recycling as central elements of their soil and crop management practices.

Early efforts to control soil erosion in Uganda emphasized the use of terraces, contour bunds, grass waterways, diversion channels and other small-scale control structures. While such structures are generally effective and appropriate for severely eroded soils, they have limitations. These structures, although small, require considerable labor and community participation to build and maintain. Recent trends in soil erosion control emphasize the use of biological methods, which methods include: grass strips, biological terraces incorporating multi-purpose tree species, multiple cropping, reduced tillage, intercropping, cover crops and mulches.

In the colonial era soil conservation was often forced upon farmers. Many times farmers not adopting the prescribed soil conservation practices faced fines and sometimes imprisonment. Even to

this day there are district-level bylaws in Uganda which impose soil conservation and force certain kinds of cropping practices upon farmers. If soil conservation and sustainable farming practices are to be adopted by farmers, it must be because they understand the principles of conservation and see short-term financial benefits from adopting improved management practices. The focus in USAID's soil conservation strategy will unite related elements: 1) it will take into account the whole farming system, not just one or a few crops, 2) it will promote soil conservation, production increases and nutrient recycling practices which provide short-term benefits to farmers, 3) improved practices will have direct economic incentives coupled with the financial means to pay for investments in conservation efforts and 4) conservation efforts will include, whenever possible, cash crops and other ways to increase rural incomes for low resource farmers.

In the most severely affected areas farmers have begun to recognize the variety of problems that come with accelerated soil loss. According to the USAID-funded CARE/MEMEP Development Through Conservation Project (DTC), farmers in Kabale have identified soil loss as a priority problem. This, compounded by increasing population in the already densely settled southwest, has limited fallow periods, sharply reduced soil fertility and increased the demand for land. The result is declining farm productivity and loss of on-farm income. Women and children suffer disproportionately from this loss and are at an increased risk nutritionally. Small animals such as goats and sheep, typically a female responsibility, are squeezed out of the farming systems as pasture land is replaced by cultivated fields, thus reducing female incomes and consequently household food supplies. The demand for land also puts pressure on protected areas and ecologically sensitive zones such as wetlands.

Increased fuelwood scarcity, loss of grazing lands, reductions in crop yields and land productivity force farmers to further degrade their lands and move onto fragile lands less suited to crop production. It is imperative to stop the vicious circle of natural resources degradation occurring on these lands and get the natural resource base and agriculture back on a positive track. The agroforestry and soil conservation research and implementation activities of ICRAF/AFRENA and CARE/DTC are well focused in this direction and support to these efforts should be an integral part of USAID programming. CARE/ATC has made a concerted effort to benefit local women in their conservation education program. Their cadre of Community Extension Agents is nearly 50% female, and they have made efforts to promote gender-specific messages.

C. Sustainable Agriculture and Agroforestry

In the absence of new farming methods which increase food production without expanding onto new lands, population growth and increased non-food cash crop production will tend to push farmers into cultivating fragile or marginal lands or to decrease the length of soil fertility restoring fallows on existing lands. The development of new technologies and better farming practices for selected areas where farmers are under pressure to over-exploit existing resources or expand onto fragile lands should be an important part of the USAID agricultural strategy.

The introduction of a sustainable agricultural system is a key feature of conservation. Farmers in Uganda follow a low external input production strategy. When developing sustainable farming system the farmer's strategy should be kept in mind. The use of leguminous trees and shrubs to provide nitrogen, intercropping to maximize land use, nutrient cycling through mulching, multi-purpose tree species and biological terraces are examples of components of sustainable farming systems that increase productivity without large external inputs. Unlike expensive fertilizers and hybrid seeds, low external input technologies are available to low resource farmers, and while these types of approaches

may not be suitable to farmers growing many export crops, they should be part of USAID strategies for some groups.

D. National Environmental Action Plan

The keystone to building environmental policy and legislative reforms is the National Environmental Action Plan (NEAP). The National Environmental Action Planning process, initiated by the World Bank in 1987, will identify and analyze major environmental problems, and develop a comprehensive national strategy. The NEAP will recommend: legislative, policy and institutional reforms; corrective environmental measures for current and future projects; and development programs related to natural resource management.

The GOU will develop the NEAP with a Policy Level Steering Committee, NEAP Secretariat, NEAP Secretariat Staff, and Task Forces. The Policy Level Steering Committee will be a cabinet subcommittee, with members from key sectoral ministries. The Steering Committee will provide high level policy guidance to the entire NEAP process. The Secretariat will provide leadership to the task forces and oversee the Secretariat Staff. Secretariat membership will include the NEAP Coordinator (head of the Secretariat Staff), chairpersons of the task forces and three representatives (one each from the NGOs, private sector and donors) from the Advisory Committee and the NEAP Technical Advisor.

The Secretariat Staff will be selected by the Permanent Secretaries of the ministries involved and the Executive Committee of the Advisory Group. At least one member of the Staff will be drawn from the NGO community and one from the private sector. An Advisory Group will support the work of the NEAP Secretariat. It will consist of members from donors, NGOs and the private sector. The Advisory Group will form working subgroups which will address specific issues and concerns within the NEAP process, and will form a smaller working group called the Executive Committee. The Executive Committee will interact closely with the NEAP Secretariat and coordinate the participation of the Advisory Committee members on the NEAP task forces.

The NEAP will seek Pprivate sector participation through such representative bodies as the Uganda Manufacturing Association, Chamber of Commerce, Uganda Tourism Association, Uganda Tourism Development Corporation, agricultural cooperatives and fisherman's organizations. In their work the Task Forces will actively involve a number of important community groups: local resource users (e.g. farmers, herders, fishermen, loggers and traditional hunters), Resistance Councils, indigenous NGOs and local community organizations (church groups, women's groups, Wildlife Clubs, and farmers associations). Community participation will be sought at several times during the process to assist the task forces to: define the priority environmental problems and issues; recommend solutions; and review the findings and recommendations. Special attention will be given to local level women's organizations to obtain their perception of environmental issues.

Some examples of the conflicts and problems that inappropriate legislation and policies create include: 1) the Game and Forest Act sets up conflicting institutional responsibilities for managing natural resources, 2) the Forest Act does not place sufficient emphasis on modern forest management concepts such as sustained yield, multiple use and biodiversity conservation, 3) the Reserve Species Law prohibits cutting of endangered tree species resulting in considerable reluctance to plant and manage stands of these species by private land holders, 4) tax policies provide disincentives for maintaining natural forests, 5) land tenure policies limit ownership, especially by women, and restrict movement of people from over-populated to under-populated areas, and 6) commercial investment laws

and policies encourage industry to adopt short-term return strategies and disregard investment in environmental protection.

E. Park and Reserve Protection

A compelling case exists for making Bwindi and Rwenzori Forest Reserves into National Parks and for elevating the protection status of Kibale, Semliki and Mt. Elgon Forest Reserves. The present inadequate forest management and policing, encroachment by settlers and farmers and poaching in these forest reserves have a negative impact on the flora, fauna and watershed. The significant potential for tourism in these forest reserves far exceeds the benefits accruing to the nation from present uses. The tourism potential can only be tapped if these forest reserves have a protection status that maintains the biodiversity which attracts tourists.

The Bwindi Impenetrable Forest represents a critical component for both the preservation of biodiversity and the development of the tourist industry in Uganda. As such, the forest's present conservation status is insufficient. The Forest Department is contemplating elevating Bwindi to Forest Park status. Forest Department documents indicate that a Forest Park will be equal to International Union for the Conservation of Nature's (IUCN) classification of a Multiple-Use Area which provides less conservation protection than a National Park. One of the goals of the Action Program for the Environment (APE) is to obtain National Park status for the Bwindi Forest.

The Rwenzori Forest Reserve is a catchment forest which contains the fabled Mountains of the Moon, the third highest mountain range in Africa. The Rwenzori Mountains possess a lush assemblage of montane and alpine flora found nowhere else in the world. The Rwenzori Mountains are also well known for having some of the best mountain trails in Africa, and as such have demonstrated much potential to attract tourists, hikers and climbers from all over the world. The establishment of a National Park in the Rwenzori Mountains is critical to protect this unique ecosystem.

Wildlife Conservation International (WCI) and Harvard University have been conducting conservation research and education activities in and around the Kibale Forest for several years. Recently, they have expanded their activities with farmers and rural communities living on the forest borders, and efforts to help rural communities benefit from Kibale forest are underway. Elevated protection status for Kibale will support the ongoing research, conservation and development efforts in and around the Forest.

F. Revenue Sharing

Natural resource revenue sharing is one of the issues within the Mission's APE that relates to other development themes like: increasing rural incomes, redressing regional imbalances, assistance to women and disadvantaged groups and community involvement. While the details of an approach for revenue sharing have not been worked out, the concept is simple and straightforward. People in the communities surrounding the parks and forest reserves have given up access to those resources, and they should receive compensation. One of the goals of the NEAP is to identify suitable mechanisms and arrangements for sharing Park entrance fees and other Park revenue with the local communities surrounding the Parks. A key goal in revenue sharing is to get people in communities to see that they benefit directly from the park and that it is in their interest to protect the resource and use it sustainably.

G. Private Sector Involvement

The NEAP will be the main avenue for defining how the private sector will be involved in natural resources protection and utilization. The NEAP Secretariat Staff will have a representative from the private sector so that its views on environment and natural resources issues will be heard. In addition, the environmental impact fund will give the private sector an opportunity to gain experience in producing environmental impact studies on existing projects. Future projects will be required to fund environmental impact studies as a cost of the project. Also, one of the tasks within the NEAP process is to solicit a plan from Uganda National Parks on how and when it will open park concessions to private sector marketing and management.

H. Buffer Zone Development

Buffer zones refer to the areas around the national parks, forest and wildlife reserves. The objective of buffer zone development will be to assist men and women farmers and rural communities living adjacent to protected areas to improve their livelihood through increased employment, improved agriculture and other income generating activities. It is generally accepted that males have traditionally made more use than women of major forest products (e.g. timber and wild game). Both men and women gather reeds, vines and bamboo for making mats and baskets. Men also gather honey, while women are responsible for gathering herbs. Further, the vast majority of rural households rely on fueldwood for energy. Fuelwood collection is typically women's work. The development activities will focus on activities differentiated by gender that conserve and sustainably utilize natural resources, including, in some instances, timber and forest products from protected areas.

Recent technical analyses by the Mission indicate that some of the activities to be funded by grants in this area will include the following:

Buffer zone projects: These will assist local farmers and other resource users to develop sustainable resource use activities on land inside or around Forest Reserves. Male and female members of the local communities will identify the buffer zone activities to assure local participation. The types of activities may include agroforestry, small woodlots, soil conservation, sustainable agriculture, animal husbandry, fishing, timber and other forest product harvesting.

Tourism development: These activities will develop nature-based tourism in the project area to generate benefits for the buffer zone community. Such activities may include construction of tourist facilities, campgrounds, modest cabins and interpretation centers. Other activities might include small provision stores, craft shops, transport, equipment rental and restaurants. Finally, grant activities may include general tourism development such as training of tour operators, preparation of nature tourism guides and studies to assist tourism development in Uganda. Equitable recruitment of both male and female trainees will be required.

Public conservation education: These activities will support programs such as mass media campaigns, development of a national conservation education program, fellowships for graduate students and researchers, training for journalists in environmental reporting, and support for the school programs involving national parks, zoos and botanical gardens.

Applied research on sustainable use of renewable natural resources: These activities will support additional work to more fully understand resource uses such as: pit sawing, wildlife utilization,

mixed wildlife/cattle ranching, artisanal fisheries, gender roles in resource use and sustainable harvesting of tropical hardwoods.

I. Land Tenure, Use and Control

Security of tenure is an especially important incentive to get farmers to invest in protecting their land and making it more productive through soil conservation and afforestation. Recent studies have stimulated the development of proposals to repeal the Land Reform of 1975 and provide a system of land registration and secure land tenure that would improve private investment in the land. This is an important issue, and it will have a significant impact on land use patterns in the future. Gender differences in land ownership vary considerably by region; it is estimated that 2% of Ugandan women own land, but anecdotal evidence suggests that this may be changing . Gender differences in land ownership have significant implications for long-term project impact and effectivenss. For example, although in some areas women plant and maintain trees, their husbands have the right to cut and use these trees at any time. Furthermore, results from an AFRENA project survey in the Kabale area indicated that women's groups were keen on tree planting, but were often restricted by male ownership. USAID should incorporate into La d Tenure Center collaboration and research with the Makerere Institute of Social Research (attention to gender issues.) The Mission's strategy in this area should be toward land tenure arrangements which encourage and enable farmers to invest more in their land and make their forestry, agriculture and related activities more productive.

Uganda's wetlands are important natural resources that have not been greatly utilized. It has been estimated that the papyrus swamps occupy more than 10% of the country's land surface. The swamps provide numerous benefits: they help maintain the micro-climate, prevent flooding, serve as spawning grounds for some fish species, filter and purify water and reduce soil sediment loads in lakes and streams, supply fish for household and commercial use, and produce reeds for making mats and roofing thatch.

Because of the high cost of draining and developing the productivity of wetlands, they are usually the last agricultural niche in the landscape to be exploited. Where population pressure is high, farmers have begun to drain and cultivate the swamps. In some instances this has been quite beneficial for farmers. However, in many cases, the soils are not very productive.

Although most swamps have not been extensively exploited there have been some drainage schemes which have resulted in soil erosion, decreased water table levels and soil acidification. These kinds of problems, coupled with the high capital investment costs usually associated with drainage schemes, make it clear that it is necessary to explore other approaches for wetlands use.

The swamp areas and wetlands can be developed in other ways. For example, papyrus can be used for commercial specialty paper production, and it is possible that harvesting technology may improve enough in the near future that this will become economically viable. Also, research in sustainable horticulture and fish production is under way in similar wetlands in Rwanda and this information may readily be applicable to Ugandan conditions.

The challenge in developing wetlands is to find a way to manage them that is sustainable and will preserve their vital functions in the ecosystem. The upcoming National Environmental Action Plan should give priority to developing a strategy for the sustainable use of wetlands.

There are some cross-cutting governance issues with respect to the development of wetlands and similar undeveloped areas. The fact that the papyrus swamps are spread along the lakes, river courses and valleys over large parts of Uganda presents a problem for their preservation and management. The swamp, and wetlands are widely dispersed, and controlling their development and use will not be as easy as in the national parks and forest reserves, which are usually in large contiguous blocks. Because of these management and access problems, some aspects of wetlands control, development and management may become a local governance issue.

Problems similar to this are brought up in the section of this report that deals with the RCs and local governance issues. Working closely with local county or sub-county authorities will likely present a new and different technical support and conservation education challenges for the central government ministry charged with swamp and wetlands protection and development. Similar governance, land tenure, land use and development questions related to the access and use of natural resources are likely to be persistent issues that will require the involvement of farmers, resource users, local decision-making groups, technical specialists and central government staff.

J. Institutional Strengthening and Reform

Recent Mission environment and natural resources analyses indicate that there are serious institutional constraints which obstruct the government's efforts to improve natural resources management. These institutional constraints center on two problems: 1) the lack of an independent environmental protection authority within the Ministry of Energy, Minerals and Environment Protection (MEMEP), and 2) competing ministerial and agency interests within the Ministry of Tourism, Wildlife and Antiquities (MTWA), MEMEP Department of Forestry, and Uganda National Parks (UNP) in the management of forests and wildlife.

The promulgation and enforcement of environmental protection laws and policies is the responsibility of the MEMEP. Because of two institutional problems, MEMEP has difficulties in fulfilling its mandate. First, MEMEP is equal to its sister ministries and lacks the political clout to control their activities, except in the most serious cases of negative environmental impacts. Second, MEMEP has line ministry functions for forestry, energy and minerals which compromise its neutrality in the adjudication of environmentally related disputes that involve these issues. In addition, MEMEP does not have the capacity to implement existing environmental policies and laws as it lacks adequately trained staff to carry out its control function.

The departments responsible for wildlife and forestry are located in separate ministries with different goals and policies. The Forestry Department in the MEMEP operates under the authority of the Forests Act (1946) and with the guidance of an official forest policy which was revised in January 1988. This revised forest policy incorporates conservation concerns in the context of multiple use management of forests. However, the Forests Act, which regulates actual activities in the field, has not been updated, and therefore, no substantial conservation legislation exists which translates policy into practice. As it stands now, the Forests Act provides the Minister of MEMEP with singular authoritative power to regulate the forest estate.

UNP (a parastatal under MTWA) and the Game Department, also under MTWA, manage wildlife in Uganda. The National Parks Act (1952) provides for the establishment of national parks for the purpose of preserving wild animal life and wild vegetation. Unlike the Forests Act, the National Parks Act delegates authority from the Minister of MTWA to a consensus governing body, the Board of Trustees of the UNP. While in theory the Board of Trustees provides management safeguards, this

administrative structure is not immune from pressure from higher levels of government, as evidenced by the degazetting of over half of Lake Mburo National Park.

While National Parks are gazetted as areas where wildlife is given complete protection under the management of the UNP Board of Trustees, Game Reserves, Animal Sanctuaries and Controlled Game Areas provide for the protection and utilization of wildlife outside of National Parks directly under the jurisdiction of the Game Department in MTWA. Through legislation set forth in the Game Act (1959), the boundaries of a game reserve can be altered and/or degazetted by the Minister in consultation with the Chief Game Warden (similar to the management provisions in the Forests Act).

Since the ban on hunting in Uganda in 1979, the Game Department's mandate has shifted from utilization to preservation of wildlife resources. Although there is no official wildlife and national parks policy, as of June 1991, MTWA was reviewing a draft policy. This new policy includes safeguards for the preservation of Uganda's national heritage as well as provisions for local community benefits from the country's wildlife resources. In addition, the new draft policy has proposed the amalgamation of UNP and the Game Department into one parastatal institution.

In general, UNP, the Game Department and Forest Department have made great efforts to broaden their mandates in regard to the conservation of Uganda's natural heritage. However, the coordination of these efforts has been limited. UNP and the Game Department have achieved fair success in integrating their activities. This results from both institutions residing in the same ministry. On the other hand, efforts to achieve coordination between UNP and the Forest Department have proved frustrating and time consuming. This situation has occurred, in large part, because of the contentious issue of creating new national parks from several of the existing forest reserves. Coordination between Forest Department and the Game Department has proved difficult since each of the institutions has conflicting mandates in the field in overlapping and contiguous areas.

Agriculture - Issues and Strategies

A. Agricultural Resource Base Degradation

Agriculture, natural resources, and population are on a collision course in Uganda. The rapidly growing human population of Uganda continues to make greater demands and have a greater impact on the country's natural resources - its forests, wildlife, soils, wetlands and water resources. At present the natural resource base is being degraded and lost at a steady rate. In the past the relatively large amounts of available land, productive soils, and favorable climate, combined with abundant forest and water resources enabled Uganda to expand food and fuelwood production to meet the needs of rapid population increases. However, the expanded use and exploitation of these resources are reaching their limits, and a shift to sustainable use of Uganda's natural resources is necessary.

The dominant position of agriculture in the country's economy emphasizes the importance of protecting the natural resources upon which much of agriculture is based. Continued degradation of natural resources jeopardizes economic development. This is particularly true for poor people in rural areas because they have fewer opportunities than other groups to accumulate wealth through means other than griculture. By the same token, the loss of productive forests and soils to degradation more directly and adversely affects the rural poor. This tragedy is even more acutely felt by women, children and other "disadvantaged" or "at risk" groups who have been marginalized and for whom fewer production options, and alternative cash income generating opportunities exist.

B. Low External Input Sustainable Agriculture

In the past Uganda's cash crop agriculture was narrowly base on a few export crops - coffee, cotton, tea and sugar. These crops required extensive overseas market structures and internal transport and processing structures which were not in the hands of native Ugandan managers. In the case of cotton and sugar, the industrial processing infrastructures - ginneries and sugar mills -had large external capital costs. Two of these crops required large amounts of imported inputs, pesticides in the case of cotton and fertilizer for sugarcane. Overall this agricultural system, with its large external input base - economic, human and physical -was rather fragile. Declining world prices, high management costs, expensive industrial equipment, transportation disruptions, and cost increases for agricultural chemicals all conspired to make Uganda's cash crops less profitable.

At the same time, food crop production has remained steady. With much lower external costs and low levels of fertilizer and management, food crops remained a viable alternative for farmers. Coffee, which has the lowest level of external input requirements of Uganda's four traditional export crops, has remained the most viable for smallholders. Agricultural systems which require little capital investment by farmers and those which have less exposure to external supply sources and markets that are susceptible to disruptions have clear advantages for Ugandan farmers.

C. Principal Traditional Export Crops

Uganda's four principal export crops, and the source of nearly all government revenue for many decades were coffee, cotton, tea and sugar. The production of the last three of those crops - cotton, tea and sugar has declined considerably in the fifteen years from 1970 to 1985. A combination of government imposed disincentives, unfavorable dual exchange rate policies, heavy taxes on exports, decaying infrastructure, inefficient marketing and input delivery systems, market disruptions, decaying

financial systems, low prices paid to farmers and low world market prices have conspired to make farmers look for more profitable crops.

Rehabilitation of the infrastructure for cotton production will be a very expensive capital investment for Uganda. Higher cotton input costs, lower world prices, increased market competition and farmer's memories of their large financial losses in cotton production, will make it difficult to re-establish cotton. These facts, coupled with the increased opportunities for farmers to grow non-traditional exports, oilseeds like sunflower and sesame, and increased markets for food crops, make it very unlikely that farmers will readily move back into cotton production on a large scale.

Coffee production has not declined nearly as much as the official government statistics would lead one to believe. The large number of government imposed price and marketing disincentives mentioned above forced the diversion of much coffee marketing to the black (Kibanda) market, oftentimes channeled through market outlets in Rwanda, Kenya and Zaire. This end run around the government coffee marketing system led directly to government revenue losses, and indirectly to inflation and the imposition of onerous taxes on other revenue sources.

The decline in cotton, tea and sugar exports and has been especially difficult for Ugandan farmers because these were important sources of cash earnings and wage employment. The government also suffered from the production decline because these crops were important sources of foreign exchange. Recent exchange rate reforms and market changes have improved the outlook for these crops, but it is doubtful that they will ever regain the importance they had in 1970. Coffee will continue to be an important cash crop for many Ugandan farmers, and production levels may increase in time, but because of shifts toward the production of food and other cash crops, coffee will not be as important a crop for farmers as in the past.

Recognizing the risk in over dependence on the revenue and foreign exchange earnings from just a few crops, the government of Uganda seeks to diversify the country's export base. Because of its large rural population and its favorable climate and soils, Uganda has considerable advantages over many other African countries in the production of non-traditional export crops. Cash crop diversification also has the potential to reduce regional agricultural development imbalances by introducing new and profitable cash crops into regions of the country where farmers do not have viable alternative cash income sources.

D. Non-Traditional Exports

There are a large variety of non-traditional exports which are of growing importance to Uganda. Those recently reported traded include: hides and skins, beans, maize, timber, fish, bananas, sesame, fruits, vegetables, pineapples and ginger. Many of these non-traditional agricultural exports come through private producers or growers associations. These associations offer marketing and technical assistance to members on a commercial basis. The associations center on contractual relationships between larger farmers and outgrowers, and they provide inputs, technical assistance and marketing support to their member outgrowers. Growers and growers associations that have significant expansion potential are developing production of high value fruit and horticultural crops, including: vanilla beans, passion fruit, pineapples, chilies, capsicum peppers and various vegetables for export markets.

The recent Private Sector Report indicates that at the present time the pricing and incentive structure in Uganda does not encourage increases in value-added agricultural enterprise. Nor do credit

and interest rate policies and procedures; the lack of domestic infrastructure and air freight capacity also discourage non-traditional exports such as juice concentrate and other processed agricultural products. There is great potential to increase the "value-added" component of the non-traditional export sector, and the Export Policy Analysis and Development Unit (EPADU), private sector agribusiness and various growers associations should receive support from USAID Mission in pursuit of this objective.

Recent changes in government policies have done much to encourage non-traditional exports. Studies by EPADU have already identified numerous export constraints which are now being addressed by upcoming legislative and policy changes. The overall environment for export is rapidly improving. The policy and legislative changes already in place, as well as those coming up in the near future, have improved the environment for non-traditional agricultural exports.

It appears that farmers and growers associations in the private sector are responding to improved incentives and export opportunities. However, there are still export constraints. Some of the steps that have been identified as bottlenecks by growers include: lack of production technologies, difficulties in securing financing, establishing reliable overseas markets, post-harvest processing and storage difficulties, shortage of packaging materials, and irregular and expensive overseas transport. These are all very complicated steps; it is a complex task to organize and coordinate the chain of events needed to export high value crops. For this reason some growers are concerned that they need to improve their business management skills to cope with the complexities of exporting.

The public sector can be most effective in promoting non-traditional exports by being responsive and taking a pro-active stance in making the policy changes needed to create an export-oriented business environment. Impact studies, selected technical assistance and training are areas where the USAID is helping and can continue to help the public sector respond to the needs and constraints of exporters.

The growers associations, exporters, producers, etc., like those which used to produce and market ginger, vegetables and vanilla, seem to have the potential to serve as the extension, production, transport and marketing organizations for many small and medium-scale growers. Unlike the cooperatives, the managing members of the growers associations are farmers who grow the crops being handled by the associations. This gives them a first-hand understanding of the member farmers' problems and a stake in seeing that marketing and transport of their produce is efficient and timely. In addition, the managing members have strong social ties to the rural community where the association is based.

The large potential for growers associations and similar private sector organizations to effectively provide agribusiness services to both medium and small-scale farmers growing a variety of non-traditional export crops makes it important to understand more about them. USAID should direct resources toward studying how private sector agribusiness operates and the effects it has on household-level resource allocation. Possible issues to address include: 1) how growers shift their resources to respond to changing market incentives, 2) constraints to the private sector providing extension, credit, agro-processing, transport and marketing services to smallholders, 3) ability of resource poor farmers to use growers associations and other private sector organizations to help them grow non-traditional crops and increase their cash income, 4) restrictions that limit of women farmers' ability to take advantage of income generating opportunities in an expanded private sector agribusiness environment, 5) expected tenure changes (possible eviction of tenants by mailo landlords) when high value cash crops, especially perennial crops, are introduced.

The expansion of non-traditional export crop production will gradually result in significant changes for both the food crop and non-traditional export crop sub-sectors. As farmers move into non-food crop production and regional food crop production pricing and marketing patterns will shift. Overall, rising food crop prices will benefit farmers, and part of USAID's agricultural strategy should be to identify changes so it is prepared to address new issues and opportunities in the food crop sector as they arise.

E. Import Substitution Crops

While Uganda's farmers and marketers need to develop a diverse range of export crops and introduce appropriate planting material, technology and inputs, it is also important to keep in mind that increasing domestic production of imported agricultural products likewise increases scarce foreign exchange. The development of oilseed production - sunflower, sesame, groundnuts and soybeans - has very good potential in Uganda and should be pursued. Domestic production of cooking oil, much of which is currently imported, would also strengthen the development of the agro-processing industry.

Several of the above mentioned oilseed crops could substitute for cotton in the cropping system and would be well suited to the lower rainfall zones of the north. Attention to these crops would also address some of the problems of declining household incomes in areas where cotton has not been replaced by other cash crops.

F. Cash Flow Strategies of Smallholders

Years of market disruption, uncertainty and poor price incentives have caused farmers to abandon their traditional cash crops - coffee, cotton, sugarcane and tea. During times of disruption, food crops like bananas, beans, maize, cassava and groundnuts, which have ready markets in nearby villages and towns, as well as major trading centers throughout the country, have become important sources of cash income for farmers. More recently, as stability has returned, markets have expanded and new markets have developed, farmers have shown more interest in increasing their production.

A favorable climate with two growing seasons in much of the country has enabled farmers to develop mixed intercropping systems which provide a steady flow of produce to sell in the market throughout the year. This steady flow provides farmers with a continuous rather than seasonal cash flow. In times of moderate to high inflation a continuous cash flow is of considerable benefit to farmers, and a steady and reliable cash flow has become an important part of their farming strategy.

Matooke, cooking banana, is a crop that fits the cash flow strategies of Uganda's smallholder farmers quite well. The matooke gardens produce a steady supply of cooking bananas for the household throughout the year. This eliminates peak labor demands and gives the farmer a steady cash flow. Although matooke does not have a high unit value, the labor and input requirements are low and production per unit area is high. Because it is bulky, does not ripen all at once, and is not a crop that can be stored for long, matooke, as compared to grain legumes or cereal grains, is not an easy crop to steal. This was an important advantage during the many years of civil strife and insecurity that plagued Uganda.

Therefore, for a large part of Uganda, the returns from matooke production and its cash flow and low risk advantages are the standards by which alternative farming systems and agricultural markets are judged. Cassava, sweet potatoes and other staple crops form a similar standard in other parts of the country. To introduce more productive systems with higher returns there needs to be

some attention paid to the investment requirements, cash flow and risk aspects of a crop as well as returns to land and labor.

Uganda's farmers have adopted farming systems which minimize their need for cash outlays, fertilizer and other external inputs. Farmers have chosen to cultivate larger areas with moderate or low yields, or to clear land every year or two and let less fertile lands go into a nutrient restoring fallow period. The marketing difficulties and price fluctuations of the last twenty years have forced farmers to reduce their risk by minimizing their cash outlay for crop production. Heavy reliance on mulching to cycle nutrients has been a part of the farmer's strategy to reduce dependence on external inputs like fertilizers.

Thus, farmers in Uganda have developed a strategy to meet household food subsistence needs while at the same time providing a small but steady cash flow. Also, the way that they use their land and labor resources has minimized the risks associated with investing cash in crop production. This strategy is one that assures survival and keeps a steady cash flow with little risk. However, it is also a strategy which marginalizes farmers and restricts opportunities for increased productivity and higher cash income. USAID programs should focus on ways to increase cash incomes for farmers to help them break out of the cycle of poverty. At the same time it is important to recognize that coping strategies that have carried farmers through nearly two decades of disruption will not be quickly abandoned. Agricultural development strategies need to be balanced so that they help farmers to bridge the gap between subsistence and coping strategies of the past, and more productive agricultural systems that improve cash flow in rural economies.

G. The Importance of Roads and Markets

Roads are critical infrastructure components which stimulate development of rural market channels. Opportunities for cash crop production, food crop price increases, and the flow of cash into the rural areas greatly expand when feeder roads are rehabilitated. There are a number of programs under A.I.D., other donors and the development banks which aim to improve the main roads and rural feeder roads in Uganda. This infrastructure component should be considered a vital precursor to the implementation of agriculture strategy elements which focus on improved cash cropping in remote rural areas.

H. Food Crops

Much of Uganda's food production in recent years has come from expansion onto previously fallowed land. But, this expansion capacity has reached its limit in many food growing areas. Total production for most food crops has remained the same or decreased since 1970. Continued use of non-sustainable farming techniques which result in soil erosion, soil fertility depletion and shorter fallow periods will result in declining food crop production at a time when more food is needed to feed the growing population, as well as supply regional export markets.

Another reason for concern about food crop production is the heavy dependence on matooke and cassava as staple food crops. Increased reports of banana diseases like Panama wilt disease, Banana Weevil, nematodes in Uganda and Black Sigatoka disease in neighboring countries, as well incidence of Cassava Mealy Bug, are of special concern because of the overwhelming importance of these crops. Insect and disease problems for these crops are increasing; more resources need to be devoted to improving and protecting these crops. In addition, resources should go toward alternative higher value food crops that will diversify the food production base.

Improved food crop production technologies, such as higher yielding and disease resistant crop varieties, improved management practices, etc., take a long to develop and extend to smallholder farmers. For this reason, there is a need to develop long range research and development priorities.

In the last few years Ugandan farmers near the Southern and Eastern borders have been exporting increasing amounts of maize and dry beans to Kenya and Rwanda. According to studies by the International Center for Tropical Agriculture, CIAT, Ugandan farmers bordering these areas have been able to take advantage of changes in cash income and cropping patterns in Rwanda and Kenya to increase their own exports of food crops. In addition, within the last year the World Food Programme has purchased large amounts of maize and beans in Uganda for export to Rwanda and Sudan as emergency food aid. As a regional food producer, Uganda has the advantages of a stable climate and, due to its location, relatively low-cost transport.

Despite the fact that food crops have much lower potential to increase rural income than high value cash crops, increased food crop production should remain an important part of Uganda's overall agricultural strategy. There are several reasons that food crops need continued attention in the agricultural strategy. First, Uganda's population continues to grow rapidly and more food will be needed in the future. Secondly, as more land is devoted to cash crops, food crop production will need to take place on less land. The third reason to invest in food production is that like the advantages gained with the diversification of the export base, food crops offer farmers, especially those who cannot produce cash crops because of climate, soil or other restrictions, the chance to produce for a viable cash market. Finally, it is of vital national concern that investments be made to protect the production capacity of selected staple food crops from devastating insect and disease attacks.

I. Food Production Strategies

Food crops in Uganda are not produced with a high level of external inputs or sophisticated management. Although intensive intercropping is common, the use of fertilizers and pesticides is generally low. When compared to more intensive food production systems, this type of low input and low yield production approach usually translates into a high investment of land and labor per unit of food produced and a low return to the farmer. As farm sizes decrease through inheritance division or sale of parcels, and as soil fertility depletion and soil erosion reduce crop yields, the farm becomes less able to provide the subsistence food and basic cash needs of the household.

Therefore, the overall agricultural strategy is to increase farm productivity, improve subsistence food production and boost the cash generating potential of the household. However, the same techniques and activities will not work everywhere, and different approaches will have to be developed for each region or target group.

In some areas there is great potential to develop the production of high value cash crops for export. The districts around Kampala, which have fairly well developed road and transport systems, fertile soils, a favorable climate and a reasonably well educated populace with managerial capacity, are well suited to this kind of development approach. So far, the success with non-traditional export crops confirms this observation and demonstrates that this is a viable approach for areas with similar conditions.

Areas in the Southwest, like those around Kabale, have a different set of development needs. In these areas steeply sloping fragile lands with erodible soils, severe wood shortages, diminished areas for grazing animals and small farm sizes present a different set of agricultural development challenges.

Farming systems like those around Kabale are not in a steady state of low production, but have entered into a state of decline that threatens the resource base upon which they depend. In such instances, the strategy should shift away from taking advantage of opportunities for large advances toward one of meeting basic human needs and protecting the production base from further decline. The development and spread of agroforestry technologies which protect against soil erosion, increase staple food crop production, provide poles and fuelwood and fodder for animals, is a key strategy element.

The vast majority of Uganda's men and women (90% of the population) are involved in agriculture, with women providing 80-85% of agricultural labor. Little hard data exists on differences in agricultural productivity among men and women, ways to increase this productivity, and the impact of development interventions by gender. Generally, however, men manage and provide significant labor for traditional cash crops (coffee, tea, cotton), while women are responsible for family food crop production. Women also assist men with cash crops (In a 1988 women's needs assessment, women indicate that their principal constraint to increase production was lack of labor.) Despite their overwhelming responsibility in agriculture women have very little access to extension advice, credit or the research agenda. The nature of cooperative regulation has limited their access to benefits from the cooperative movement.

In recognition of both the need for greater female access to agricultural resources as well as the need for more data, USAID's agricultural strategy should include mechanisms for systematic collection of sex-disaggregated data, and for policy and project-directed mechanisms to increase productive resources and incomes.

Production diversity should be an important part of Uganda's agricultural development strategy. The government of Uganda has learned the danger of being heavily dependent on taxing a few crops, namely coffee, tea and cotton, for nearly all of its revenue. Likewise, there is a danger in having a narrow base for the nation's staple food crops. The production of two of the main staple crops, cooking banana and cassava, are increasingly challenged by diseases like Cassava Mosaic Virus, Banana Weevil, Panama Wilt and Black Sigatoka. This is particularly true in areas where there have been large fields under continuous crop production without rotation for many years. The agricultural development strategy should, where it is feasible, encourage staple food crop diversity with the introduction of additional crops into the farming systems.

Improved market access usually increases food prices and rural income. Conversations with farmers and other people living in remote rural areas indicate that road rehabilitation generally has a very positive effect on markets for food crops. Programs to improve the secondary and feeder roads in remote and poor areas of Uganda are a very important part of an agricultural strategy which aims to increase rural incomes. Programs with a regional agricultural focus should be coordinated with the road rehabilitation of USAID, the GOU and other donors.

There is some concern that a strategy to increase food crop production is in conflict with the strategy to increase Uganda's production of non-food crops (this includes both traditional and non-traditional exports). Experiences with production of non-food crops in other countries indicate that this need not be a major concern. Studies show that smallholders usually use earnings from cash crops to supplement their subsistence food supply. In many instances, they use new technologies, like fertilizers and pesticides, which they learned about while growing cash crops to increase the yields of their food crops. Because of the perceived risk, few cash crop farmers will immediately shift completely from food to cash crop production. The shift from food to cash cropping will generally be gradual, and there will be adequate time for regional shifts in food crop production.

An additional concern is that the shift to cash crops will result in increases to women's workloads, and a decrease in income under their control, since men have near total control of all aspects of cash crops. USAID's monitoring and evaluation systems will include periodic assessment of the potential impact of gender differences.

In some instances shifts to cash crop production will result in higher food prices. Since most rural households are self-sufficient in food production, higher food prices will usually result in result in higher rural incomes. Higher food prices will make food crop production a more viable enterprise and enable farmers to invest in rather than exploit food crop lands. USAID's strategy with respect to the food crop versus cash crop issue should be to monitor changes, assure that fragile lands are not overexploited, and that rising food prices don't hurt those rural households which are not self-sufficient in food production.

J. Two Decades of Deterioration

The instability of the seventies and early eighties had some unexpected benefits for the agricultural sector. The importance of self-sufficiency in food crop production, especially for those living in towns became very apparent to Ugandans. With the disruptions and disintegration of the economy, some of the attraction of leaving the rural areas for a "town job" has diminished, and pride in self-sufficiency through farming has increased. While this type of attitude change does not increase rural productivity, it can shape events. The urge for young people to leave farming may have decreased somewhat in the last decade as they have seen more and more town dwellers return to the rural areas, on a part- or full-time basis, to grow their own food.

K. Differences in Regional Strategies

The different agro-ecological regions of Uganda are characterized by differing natural and human resources. The type and extent of natural resource degradation and agricultural constraints vary from one region to the next. This is not surprising, and it emphasizes the need to develop different agricultural and natural resource strategies for each region.

The cropping systems, climate and geography of Uganda have conspired to create productive, low risk and high income generating agriculture in large parts of the Central, South and Southwest. Robusta coffee production, while not as important as it was in the early seventies, will continue to produce significant amounts of cash for farming households. The challenge for these areas will be to find ways to increase productivity in food crop production and diversify into production of higher value cash crops.

The Northern region of Uganda, by comparison, is much less favorably endowed with good soils and reliable rainfall. Here there are more risks and fewer agricultural production options. However, because there is more available land, a less intensive farming system is possible in these areas. For these areas there is the need to develop mixed livestock and cropping systems which meet subsistence needs and provide cash income.

The highlands areas in the far East, West and Southwest of Uganda are characterized by cool climates, dense population and agriculture on very steep slopes. The high population pressure has forced cutting of forests for fuelwood and to provide agricultural land, much of which is not very productive. There is an urgent need in these regions to develop sustainable farming systems that

protect the fragile soils on these steep slopes. Fortunately, a favorable climate makes it possible to grow a wide variety of cash crops, including the higher value Arabica coffee.

USAID's development strategies need to take the current regional imbalances in development into consideration in program planning and development. Development in the colonial and post-colonial regions has greatly favored the Southern and Central parts of Uganda with the result that the Southwest, East and North have fallen behind. These inequities exacerbate serious tribal and religious differences and increase the pressure for the disadvantaged regions to rebel or work against the central government.

The USAID's strategy should respond to the seriousness of this situation by focusing some of it's development resources on disadvantaged regions. While immediate effectiveness and economic impact of programs in these regions may not be as large as those directed to the South and Central regions, the long-term goal of peace and stability is well served by reducing regional inequities and promoting balanced regional growth.

USAID's strategy to protect the biological diversity of Uganda through protection and sustainable use of national parks, wildlife and forest reserves has potential to fit in with the need to develop strategies to redress regional imbalances in development. For the most part, Uganda's parks and reserves of Uganda are in the poorer Southwestern, West and Northern regions. Projects which aim to improve and develop the economies around the protected areas through agricultural development, high value specialty crop production, sustainable forest utilization, and revenue sharing from-park related income generating activities largely favor some of Uganda's most disadvantaged regions.

L. The Effect of AIDS on Agricultural Labor

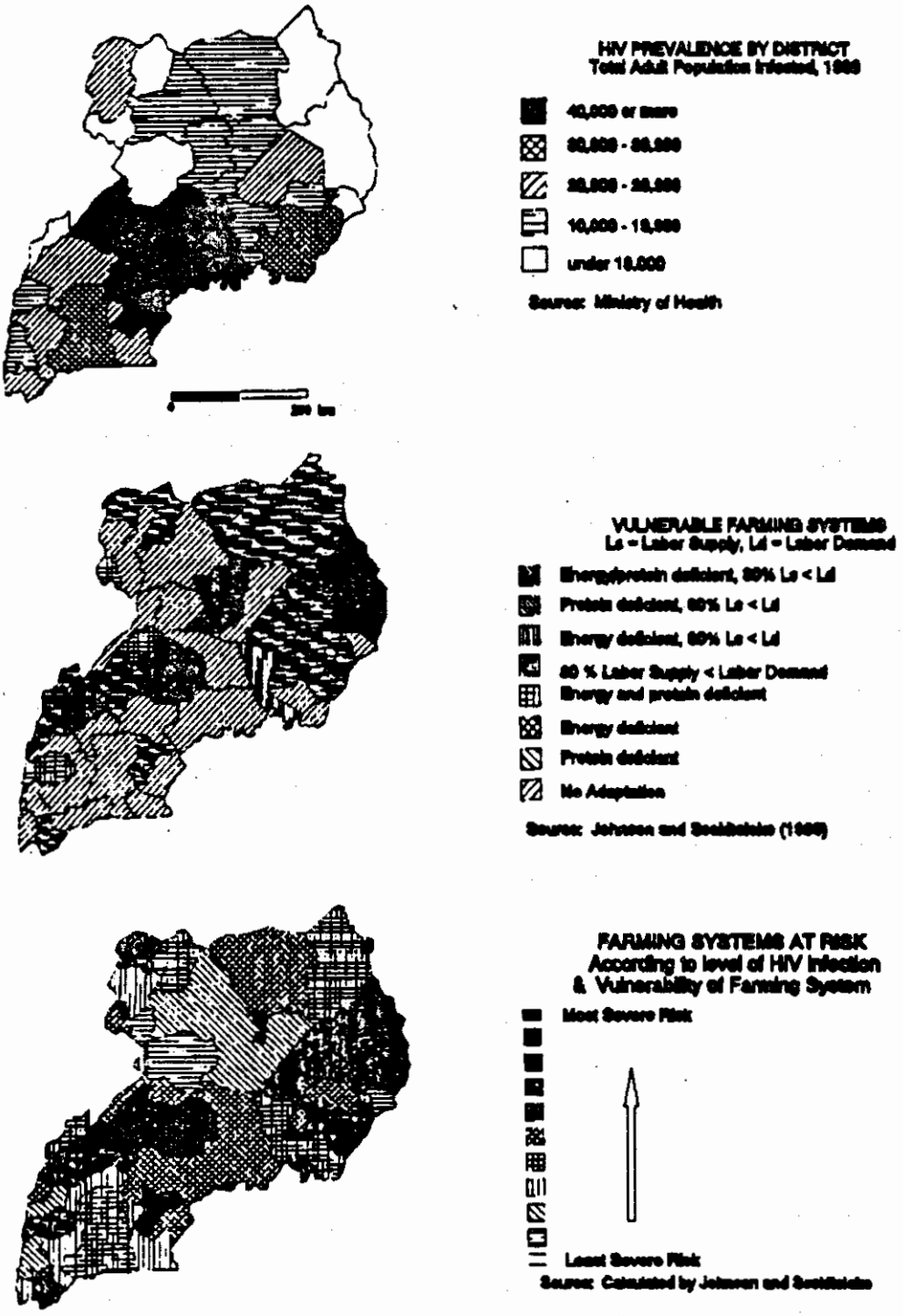
As the AIDS crisis continues and a growing number of HIV positive adults develop AIDS symptoms and die, there will be significant changes in the agricultural labor force. Figure 1 overlays HIV prevalence by district with current farming system labor deficits to generate a combined map which shows those areas which have farming systems at greatest risk from vulnerability to AIDS of its labor supply.

It should be noted that, according to the map in Figure 1, the farming systems with the highest risk level are not confined only to areas with high HIV infections rates. Uganda farming households will need to develop strategies to cope with the acute labor shortages caused by AIDS related deaths. Women, as principal farmers and family caretakers, are likely to experience a disproportionate increase in demands for their labor. USAID's agricultural strategy should link with its health strategy to address these issues.

M. Research in Agriculture and Natural Resources

USAID/Uganda, like missions in much of Africa, has a long history of support for research. Mission agriculture and natural resource programs should strike a balance between dissemination of existing technologies and research and development for future dissemination. In allocating program funds for USAID has three points to keep in mind: 1) which types of research to fund, 2) which organizations to support to conduct the research, and 3) what kind of balance to strike between disseminating current technologies and developing future technologies through research.

Figure 1: Uganda — Farming Systems at Risk from AIDS



The types of research to fund depend greatly on the portfolio of projects. First priority should be given to research which directly supports USAID project objectives rather than broad national objectives. Research on technologies which are nearly ready for dissemination will have a more rapid payoff and are more in line with the "rapid results" criteria of DFA funding. High priority should be given to research that addresses critical problems like further developing appropriate agroforestry and soil conservation technologies for fragile lands (e.g. steep slopes in the Southwest), the upcoming AIDS-induced agricultural labor shortage, critical biodiversity site protection (e.g. Bwindi and Kibale Forests), and regional development imbalances (e.g. mixed cash, food crop and livestock farming systems for the North).

USAID has numerous organizations through which it can channel research funds. The recent reorganization of government ministries has combined agriculture, animal industries and fisheries into one ministry. This has set the stage for the MAAIF, in close collaboration with the Faculty of Agriculture and Forestry at Makerere University, to reorganize and revitalize its research activities. MAAIF may fund a separate corporation for agricultural research as part of its reorganization process. In addition, the Uganda Working Group 9A - Agricultural Policy Committee has recently established a strategy and management plan. USAID should review the priorities developed by this committee, as well as monitor the changes in MAAIF. It is likely that forestry research will remain within the Department of Forestry, although components like agroforestry may be handled by MAAIF. USAID should selectively lend support to MAAIF, MEMEP/DF and MUFAF when their activities directly support the USAID's agricultural and natural resource strategies.

In addition to MAAIF's research arm, USAID has other avenues through which it can and does fund technology development. These avenues or organizations include: 1) support to the International Agricultural Research Centers like ICRAF, CIAT, CIMMYT and CIP, 2) assistance to the Faculty of Agriculture and Forestry of Makerere University, 3) backing for research by private agribusiness firms or growers associations, 4) funding for adaptive research through selected projects, and 5) through support to institutes like those associated with Uganda's universities. In some instances PVOs may be selected for adaptive research tasks, however, they usually view technology dissemination as their strength rather than research and development.

The weighting for allocating funds toward dissemination or research will depend greatly on the nature of the project. For example, with non-traditional export crops much of the technology, is already well known and research will be largely confined to POTENTIAL problems up in the future. In the case of most food and oil crops there probably needs to be more up-front basic and adaptive research before new crops or cropping systems can be introduced. For areas like natural forest management, agroforestry and soil conservation, there are some technologies available for dissemination, but there are also needs FOR research to refine technologies that are nearly ready for dissemination.

USAID should also fund research, usually in the form of surveys or studies, which provides the information to guide, monitor and evaluate its programs and projects. Significant portions of the research funds under APE will go toward biological and natural resources research that includes activities like biological inventories, environmental impact studies and natural resource assessments. APE provides support to the National Information Center for the Environment (NICE), a unit in MEMEP which generates and disseminates GIS-based environmental information.

In addition to the USAID's need to evaluate its own activities, there is a need to build the capacity for agricultural policy analysis in MAAIF. With the recent reorganizations in agriculture and

infrastructure rehabilitation, as well as improved performance in the agriculture sector, overall improvement of the economy, and a favorable attitude toward policy changes, the climate seems right for the establishment of agricultural policy analysis capacity in MAAIF.

N. Agricultural Extension

As with many sectors of government and business, the disruptions and difficult times in Uganda over the past twenty years have damaged the agricultural extension delivery system. Even if the new technologies mentioned above were developed by researchers, it is doubtful that the extension system could effectively disseminate them to farmers. Reforms and changes in the government extension service will take many years to come about. Despite the importance of the extension function in technology development and dissemination, it has been much neglected. Working to achieve medium-term farmer-level results (3-5 year time frame) through the government extension delivery system is not a viable option at this time. Reorganizations in extension manpower levels, technical capacity, staffing patterns, and most important, salaries, are necessary to bring the extension service up to the capacity needed to effectively disseminate research results to smallholder farmers. Given these considerations, broad support to the public sector extension service is not the best use of USAID funds at this time.

USAID agriculture and natural resources technology dissemination strategies should include new ways to work with farmers and rural communities. Some possible options are: 1) retraining public sector extension workers for jobs in private sector agribusiness, 2) short courses in production techniques for non-traditional export crops or oilseeds, 3) support for an institution which would train extension workers for the private sector, 4) short-courses to retrain extension workers for work with selected priority crops, projects or regions, 5) support for private agribusiness extension training, and 6) using NGOs, PVOs, community groups, growers associations and other private organizations to provide extension services, especially to women farm managers and laborers.

Exploiting Mission Program Synergies

Our strategy calls for the USAID programs in agriculture and natural resources to complement and strengthen each other, and contribute where possible to other program strategic objectives. This happens in indirect ways through institutional strengthening, improved macroeconomic policies, etc. However, the mutual strengthening is more direct when it involves projects that are working directly with farmers and other rural people.

Support for research in agroforestry, soil conservation, and sustainable farming systems will directly benefit projects implementing those technologies. The researcher's programs also benefit because they can see their work applied and make changes and improvements at an early stage in the research process.

USAID's programs to increase cash cropping and non-traditional exports and increase cash flow to rural economies have the potential to improve the soil resource base. Poor farmers have neither the means nor the incentive to invest in protecting their land from soil erosion, soil degradation and devegetation; they are forced by their marginal situation to exploit their land in much the same way that the mining industry extracts minerals. On the other hand, farmers producing high value cash crops have both the economic means and incentive to protect their soils, invest in their land and undertake sustainable agricultural production.

The development of alternative income generating activities is key in the strategy to protect national parks and forest reserves. Research and support for oilseeds, development of non-traditional export crops, improved roads and a better export policy environment, are programs which have the potential to support buffer zone development activities which ultimately preserve the natural resources and biodiversity of Uganda.

Also, USAID's activities to strengthen and support private sector development will enhance other areas of USAID activity. Agribusiness development, non-traditional exports and private sector tourism are program areas that will benefit greatly from a vibrant and growing private sector, and in return will boost agricultural development and agriculture-related components of the natural resources program.

The Private Sector Report raised the question of training in agriculture under the MFAD project, and emphasized the need to exploit the synergies between those training efforts and USAID's other agriculture and agribusiness projects. With the redesign of the MFAD Project with Faculty of Agriculture at Makerere, there is an opportunity to respond to the needs of Uganda's growing agribusiness community. The USAID should assist the University to re-orient its curriculum to the needs of the private sector involved in non-traditional agriculture, agribusiness and agro-processing.

As USAID projects re-focus on regions, areas with fragile lands, park buffer zones, or specific crops and technologies, there will be increased opportunities to work in parallel with other donors or with other sectors of the Mission portfolio. With more focused projects it will be easier for USAID to identify activities that would complement and support its programs. Buffer zone development, non-traditional export crop promotion, road building, market development, agroforestry and soil conservation introduction, cropping systems improvement and rural infrastructure development are all activities that complement and enhance one another.

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Lessons learned in implementing USAID projects like CAAS, MFAD and ANEPP will be very useful for activities in APE that relate to policy reform, legislative changes, non-traditional exports, capacity building, technology dissemination and the like.

ANNEX C-4
EDUCATION SECTOR

Annex C-4
Education Sector
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I. The Need for Development of Education in Uganda

USAID should invest in the education sector in Uganda at this time because it is the single most important political concern throughout the country. This concern reflects a recognition by Ugandans of the importance of education to development and social equity, but perhaps even more, a faith in formal education to enhance individual and family wealth, status, and welfare. Over and over Ugandans point to improved education as their first priority, health second, and, within education, to primary schools as the most important to improve.

Ugandans are aware that the education sector suffered strife and economic deterioration from 1971 to 1986. Like other African nations during this period, Uganda has experienced great population growth, decreasing government resources, a stagnant economy and agriculture industry, enormous public debt and deteriorating health and educational institutions. These areas of concern, however, are forthrightly acknowledged by the Government of Uganda (GOU), which is committed to overcome them.

Ugandans have shown great resolve in keeping formal education viable during the past twenty years. Because of the importance Ugandans attach to formal education as well as their stubborn efforts to keep schools alive, there has been a precipitous increase in the number of students enrolled in primary schools. In 1965, 269,000 students, six percent of the population, attended 2,400 primary schools. In 1988, 2,500,000 students, 15 percent of the population, attended nearly 8,000 primary schools; the majority of the newly established 5,600 primary schools have been entirely parent sponsored, as the GOU, itself, has not had sufficient resources to build and maintain additional primary schools. Thus, this significant increase in primary school enrollment is to be highly commended.

However, while Ugandan parents, through steadfast work and fierce determination, have increased the number of primary schools, the quality of education in these schools has decreased for many reasons. Schools have been overwhelmed by the population explosion: there are too many students and too few teachers. Well qualified teachers have left the teaching profession because the currency has been devalued and the GOU is no longer able to pay adequate salaries. Because of these low salaries, unqualified teachers often fill teaching positions especially in rural areas and in the lower primary classes. Pedagogical materials are non-existent. Thus, there is great need for the renewal of the primary schools-education sector in Uganda.

II. Constraints in Contemporary Education

The civil strife of the past fifteen years has wreaked havoc throughout the country, but the education system has been affected dramatically through the destruction of schools, the dislocation and killing of students and teachers, and heightened ethnic tensions. The fact that an education system has continued to function is a testimony to the widespread public support for education. Throughout the strife, parental and community support for education has kept schools open. Ugandans point proudly to the fact that the centrally administered examinations (Primary Leaving Examination, or PLE, "O" and "A" levels) have been held continuously.

Uganda struggles with many of the same educational problems faced by other African countries today. Constraints to access/equity, effectiveness (quality), and efficiency are considerable. Perhaps the most salient characteristic of the Ugandan situation is that an ever larger burden of financing primary education has fallen on families as a result of the civil strife, economic difficulties, and

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government policies. This increased burden occurs at a time of declining household budgets and has important implications for arresting declines in quality and access.

Schools in Uganda have been overwhelmed by the population explosion. While educational enrollment statistics are suspect, given the collapse of reporting systems and the inaccessibility of portions of the country, it seems clear that expansion has not kept up with population growth. Unfortunately, access today is determined more by factors of regional origin, gender, and the ability of parents and communities to muster resources to pay than by students' intellectual ability. Beyond the typical cost of school construction, teachers' salaries now fall on parents and communities. Salaries for teachers with the same qualifications can differ by a factor of ten from school to school today due to the widely varying local supplements. Government subsidy of tuition and boarding costs at the secondary and tertiary levels has exacerbated the move towards an elitist system rather than a meritocracy.

In addition to stagnating enrollments, there is a serious erosion of educational quality. Books and curricula materials are almost nonexistent in many schools. Much was destroyed, little replaced, and new curriculum materials developed for primary education around 1980 were never distributed, let alone infused into teaching. Political pressure for the expansion of secondary education and teacher training institutions not only starved primary schools but often even took their buildings away. A substantial number of rural primary schools regressed to small wattle and daub huts with dirt floors. Support from the Ministry of Education for salaries, inspection, and curricular materials has decline to almost nothing. District support for primary schools has dwindled from grants for buildings, furniture, texts, teaching materials, and student bursaries to the supply of little more than chalk. Parent Teacher Associations (PTAs) and communities have had to pick up the support of primary schools if they weren't to collapse. The bulk of salary support for teacher now comes from supplements to the extremely low Ministry of Education civil service salary. The supplements from parents and PTAs can be as much as 90 percent of a teacher's salary and still is not a living wage. Almost all funds for buildings, furniture, and teaching materials come from school fees and PTA fund raising. Although this is a heavy burden on families and communities, pricing many out of the system, it is still grossly insufficient to maintain — let alone increase — the quality. Under such conditions, it is not surprising that teaching consists solely of "talk and chalk," stressing memorization of facts for the standardized examinations together with strict discipline to control very large classes in ill-equipped classrooms.

Given the pivotal role of teachers in the provision of a quality education, the dire situation of Ugandan primary teachers bears emphasis. The quality, status, and standard of living of teachers have all plummeted in recent years. The Ministry of Education salary for primary teachers is often less than USH 3,000 per month, while a living wage is estimated at between USH 50,000 and USH 100,000 per month. Farmers can make 10 to 15 times as much as a teacher's MOE salary. Teacher housing at schools is nonexistent or extremely limited and in terrible condition. Teachers must scramble outside of teaching time to subsist. With their available time for teaching severely limited, the teacher's role as community leader has also decline.

Control and standards of education quality have all but disappeared in the primary system. The only existing mechanism is a central examination which, as currently structured, promotes rote teaching and memorization. The examination is the driving force in primary education as parents push for examination results as the only measurable return to their investment. Teachers are under even greater pressure to teach to the exam.

Finally, serious inefficiencies in the education sector's financing exist, as the "school-level" financing is almost totally community provided. Financial accounting systems have deteriorated as evidenced by payroll padding, "ghost" teachers, and in some cases the total breakdown of accounting systems. The extent of the problems and possible solutions will be better known when the ongoing pre-design study of financial accounting and management systems is completed.

The current thinking of the Mission for involvement in basic education targets the financial accounting systems and the quality of the learning experience by addressing both the quality of teaching and the desperate economic situation of teachers.

III. Alternative Strategies to Aid Educational Rehabilitation and Development

Many opportunities exist for donors to help Uganda in education and several are involved or considering involvement. Coordination is needed to avoid duplication and to achieve efficient use of resources. The Ministry of Education (MOE) is attempting this, though its ability to do so is not yet developed sufficiently. The IBRD is attempting to coordinate Ugandan and donor initiatives through its focus on the planning capacity within MOE. Primary education, however, is also a function of District government and local school Management Committees, together with the now crucially important PTAs. Recognizing this, the GOU intends to decentralize the responsibility for primary education even more from the MOE to District governments.

The donor community also is attempting to coordinate its aid to education. Those involved include UNDP, ODA, and USAID. By becoming involved in primary education now, USAID has the opportunity to influence both the country and the other donors. The primary education sub-sector currently lacks coordination not only within the educational system but also within the donor community.

The IBRD education sector loans have helped with long-term planning at the Ministry of Education and also with some short-term rehabilitation, including primary education. Loans through IDA 3 and 4 have provided some textbooks, cupboards, and iron sheets for roofing to primary schools, but these resources are still grossly inadequate to the needs of the system. New textbooks are often not used because there are too few to supply a classroom of students, sometimes only one copy for the teacher. Furthermore, these textbooks imply a new teaching focused on practical problem solving and thinking rather that rote memorization of facts and concepts. We support IBRD supply of more materials to primary schools under IDA 5. However, the mere presence of materials will not be enough to integrate them into primary school teaching. Teachers need training in the use of use these textbooks. There is a danger of short-term rehabilitation through provision of textbooks faltering, as the infrastructure for planning, curriculum development and management is redeveloped to carry on further improvements in the educational system.

The EEC is involved mainly with aid to Makerere University. Germany and other donors are also aiding Makerere University to redevelop its capacity and quality. Canada, Japan, and others are helping in vocational and technical education. The British ODA is helping in secondary teacher training and other projects at the secondary and tertiary levels. ODA is also interested in giving more aid to the education sector, including to primary education. ODA is waiting, however, until the government White Paper on education and the government education investment plan are developed before planning an expansion to its education aid program. USAID planning is about two years ahead and,

therefore, better positioned for rehabilitation rather than long-term activities such as further curriculum development.

UNDP is funding UNESCO to assist in the development of a new "vocationalized" primary education curriculum in mathematics, science, languages, and arts and crafts through the BEND project (Basic Education for National Development). This effort looks to longer term development, since there is not yet clear agreement by all parties on just what is meant by "vocationalizing" primary education, let alone new curricula and materials developed and disseminated.

The role of radio in non-formal education is being addressed by DANIDA, and the Japanese government is providing some low-power FM transmitters appropriate for local language limited-distance broadcasting without interference with other channels. The usefulness of mass communications in education is still disputed. Despite wide experimentation, there is an emerging consensus that in formal education it has little impact without highly skilled teachers willing to supplement it and to respond to student needs; paraprofessional teaching assistants are not sufficient. Radio may have an important role in non-formal education, including "empowering" women particularly in health and family planning. There is considerable debate over this. While this is rejected as a component of USAID education strategy as it is beyond our focus and is also being considered by other donors, it is analyzed in greater detail in Appendix F.

The emphasis in Uganda during the past two decades on government support of university and secondary education, at the expense of primary leaves the short-term rehabilitation of primary education still not adequately addressed. USAID intends to focus on this need.

The needs for rehabilitation of primary education is great. The *Uganda Education Sector Review: Issues and Options for USAID* (March 1990) considered several options. USAID/Uganda has selected three key areas on which to focus its efforts (for other areas USAID/Uganda has considered the reasons for developing the present strategy, see Appendix B).

(1) Financial Accounting

(2) Quality of Teaching

(3) Teachers' Standard of Living

IV. Proposed USAID Strategy for Rehabilitation of Primary Education

The reader is advised that while USAID is committed to working in primary education and in doing so will address teachers' incentives, instructional materials, examination reform, and teachers training, we are not yet committed to any specific intervention. These will be determined during the design phase. Thus the interventions listed here should be considered illustrative.

A. Initiative 1: Financial Accounting

($200,000 as pre-project studies)

Rationale

Civil turmoil and economic deterioration from 1971 to 1985 resulted in corruption and abuse of power by individuals throughout the society and its institutions. Primary education institutions and classes of participants are all tainted or at least suspected by others — the Ministry of Education, the Ministry of Local Government, the District governments, District Education Offices, Education Committees of the Resistance Councils at the district and sub-county levels, schools, teachers, headmasters, parents, PTAs. Many good people, however, do exist throughout the system and are struggling to make it work. Many more would no longer cheat on the system if it were again reasonably fair.

There is a need to reestablish financial accounting systems to control the use of resources. There are estimates that about half of the resources are diverted one way or another through corruption. Some of this diversion takes place to siphon off money and power for unfair personal use. However, some of it takes place in order to manage to live and to make systems work in extraordinarily difficult and unfair circumstances. Now that there is stability, it is time to make the system work fairly again.

Responsible people in all these institutions are working to rebuild fair and accountable systems, and it is government policy in Uganda to do so. USAID, in cooperation with the Ministry of Education, plans technical assistance studies to clarify and establish accountable financial systems in education.

Activities

(1) Financial Accounting Studies

USAID is presently conducting financial accounting studies at the MOE and local school and District levels to clarify accounting systems that can be used with present human, technical, and financial resources.

(2) Precondition

USAID plans to condition aid to different institutions at different levels on the use of these accounting systems.

B. Initiative 2: Quality of Teaching

($4 to 5 million per year for 5 years)

Rationale

USAID proposes to significantly improve the quality of teaching in primary schools by a means that is achievable in five years. Quality in teaching or in student performance is difficult to measure. Initially we seek improvement manifested by a modest (10-15 percent) increase in student performance between Year One and Year Three of the continuous assessment exercise. By a combination of:

(1) a massive infusion of presently existing high quality Ugandan textbooks in social studies and science,[1]

(2) a massive effort to train teachers to use these textbooks creatively to teach critical thinking and problem solving, and

(3) support for the revision of the Primary Leaving Examination (PLE) to test such critical thinking and problem solving abilities in these subject areas,

USAID intends to jump-start the rehabilitation of primary education in Uganda.

Teaching in the Primary Teacher Training Colleges (PTTCs) would be revitalized in these subject areas along with that of primary schools, by training the PTTC teacher trainers to do much of the training in this massive teacher "refresher/ orientation" effort. This effort will also help to reestablish ties between the PTTCs and primary schools, enhancing their teacher training and teacher placement efforts.

The primary education system in Uganda focuses its efforts on students passing the PLEs at the end of P7 with the highest marks possible, in order to be part of the lucky 30 percent that goes on to secondary schools. With deterioration of the quality of teaching in primary schools, this single-minded focus has become the preoccupation not only in P5 to P7, as before, but all the way down to P1 and even into "pre-primary." It is now common for the "best" primary schools to hold "academic interviews" before entrance to P1. USAID proposes to focus on changing the teaching of social studies and science from P1 all the way to P7, in order to form the foundation and rationale for revising the PLEs. Even the teaching in the early primary years cannot be permanently changed without revising the PLEs that control it.

The existing textbooks focus on critical thinking and problem solving and will form the basis for the primary curriculum. While USAID does not advocate "vocationalization" of primary education, the new textbooks focused on critical thinking and problem-solving would be helpful in that process if the GOU decides to pursue it at any level. A major infusion of these textbooks into classroom teaching will revitalize the schools now. Although "vocationalization" is advocated by the Education Policy Review Commission and is now being considered by the Ministry of Education, only when primary teaching and the PLEs are refocused on critical thinking and problem solving skills they can be further refined for greater practical use through "vocationalizing," as recommended by the Educational Policy Review Commission. Just what form that "vocationalizing" should best take is a long development process for which revitalization should not wait.

A major reason USAID plans this limited approach is that responsible professionals in the key Ministry of Education institutions (Planning, Administration, Inspectorate, National Curriculum Development Center, Uganda National Examinations Board) very much want to carry out these activities as a first priority. They would like to do so with the necessary financial support coupled with minimal but important technical assistance. No massive participant training or institution building

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[1]The Mission has examined these textbooks closely. They are pedagogically sound, relate well to the Ugandan environment, and are well suited to students with limited skills in English. They are also strongly constructed and should have a useful classroom life of five to eight years.

would be necessary. USAID will be supporting interventions desired by the GOU, teachers, and parents.

This strategy for improving primary teaching focuses on only two elements of the curriculum, social studies and science, in order to teach them well in many schools. These subjects are central to refocusing teaching on critical thinking and problem solving. Diffusion to other areas of the curriculum will take place within a single school more readily than if the effort were to create fewer model schools in all curricular areas and hope the improvement would jump to other schools. In the chosen approach, diffusion will be more successful and the initial inequities between schools in model programs and all others will be minimized.

This strategy, while not focusing directly on ameliorating gender inequities, is also sensitive to this need. These textbooks aim at less sexist teaching than has existed previously. The next intended steps in "vocationalizing" the primary curriculum are planned by the National Curriculum Development Center, which developed these textbooks, to also be developed in ways that avoid sex stereotyping and even combat it. In addition, the primary schools are where a greater percentage of female teachers and pupils participate than at the later levels. Thus, it is here where support for improvement, especially less sexist teaching, should be most helpful.

Activities

(1) Teacher Refresher/Orientation Courses

USAID will fund a series of "refresher" or "orientation" courses on teaching the existing curricula in social studies (P1 to P7) and in science (P1 to P7) using the existing textbooks. Initial emphasis will be on training of already-qualified teachers in the new techniques. Technical assistance will be used to help a group of top level "facilitators" develop a training program to train cadres of teacher trainers in each of the Districts. These teacher trainers will then repeatedly train groups of teachers from schools throughout their Districts. The facilitators must be carefully selected from among those top educators who fully understand both the focus and methods of teaching problem solving and critical thinking using the existing textbooks. The Ugandan educators who helped develop these textbooks should form an able core of these facilitators.

This system could be modeled on the UNICEF supported SHEP (School Health Education Project). The USAID effort, however, would consciously involve primary teacher trainers from Primary Teacher Training Colleges (PTTCs) as much as possible, in order to help them develop expertise in these curricula. This effort is intended to help reinvigorate the PTTCs in, teaching these subjects and to help reintegrate them into the primary schools. PTTCs would also receive textbooks in this project but no other upgrading of facilities.

Likewise, the proposed IBRD Teacher Centers in the Districts should be used as training locations, as they are developed and available, but they would also not be otherwise funded through this project. Other possible training locations would be PTTCs, PTTC demonstration schools, or District model schools.

Teacher training also would include extensive and constant in-school monitoring of teachers who have been trained, to see if they are teaching the new methods and to help them do so better.

(2) Provision of Textbooks

USAID will fund the procurement and distribution to primary schools and PTTCs of as large a number as possible of the P1 to P7 social science and P1 to P7 science textbooks, including teacher guides and the primary social science atlas that is meant to accompany P7 social science textbooks. This will continue the distribution begun by IDA 3 and 4, and hopefully continued by IDA 5 (for an estimate of the cost of procuring enough textbooks through IDA 5 and USAID funding, see Appendix C). Still, it is likely that it will not be possible to provide enough textbooks for every student at every level and school in the country. Therefore, USAID might fund the development of wall charts to supplement the textbooks, particularly in classrooms with fewer than one copy per student. This may be more appropriate for the earlier years, P1 to P3, than for the later primary years.

This effort will concentrate first on providing sufficient textbooks to model/demonstration schools in each District and subcounty, to PTTCs, and to those schools which send several teachers for training. The goal in each case will be to provide enough textbooks to be used by individual students or small groups of students. The project might experiment with cost sharing to allow more books to be distributed, but it should not insist on cost sharing, as parents and PTAs already support primary education to such a degree that many pupils are already priced out of school system.

(3) Revision of Primary Leaving Examination (PLE)

Through technical assistance and funding of "examination development panels" and "item writing workshops," USAID will support the development by UNEB (Uganda National Examination Board) of revised PLE examinations. Such revision will be done by UNEB in cooperation with the MOE Inspectorate and NCDC (National Curriculum Development Center). Instruments for continuous assessment of student progress from P1 through P7 appropriate to the primary social studies and science curricula will also be developed.

These panels and workshops can use sample examination questions developed in 1990 by NCDC for the two curricula, and also technical assistance and brainstorming techniques, to develop appropriate means to assess and test problem solving and higher order thinking abilities. This is more difficult than developing questions which test only knowledge of facts and concepts, but it will be essential in this examination-run system. Otherwise, teachers will continue to focus on teaching knowledge of facts and concepts even if they have been "oriented" to teach higher level thinking skills and problem solving.

C. Initiative 3: Teachers' Standard of Living

($4 to 5 million per year for 5 years)

Rationale

The Government of Uganda is committed to raising civil service salaries, including teacher salaries, to reasonable levels again. Salaries are so extremely low (3 to 6 percent of a reasonable salary), that this will be a long and difficult process. In the meantime, teachers desperately need (1) help in developing money making projects to support themselves and their families financially, (2) means of transportation, and (3) new and improved housing.

Also, District governments, which once substantially supported primary education through building grants, furniture grants, equipment and material grants and student bursaries, now supply little more than chalk and a few other supplies. The Government of Uganda intends to decentralize even more the support and responsibility for the District Education Offices (DEOs) from the Ministry of Education (MOE) to the District governments. The DEOs, however, need to be strengthened in their efforts to ensure equity throughout their regions — particularly since the burden of support for primary schools on PTAs has dramatically increased inequities among schools. The MOE and at least some DEOs are beginning again to try to consolidate schools, especially the PTTCs and primary schools, and distribute support for education more equitably, though they are not universally trusted to do this fairly.

The former checks and balances in the primary education system between control by the MOE, the District governments, and local communities should be restored to counter inequities and improprieties at any of these levels. Presently the PTAs have great responsibility for and control of primary schools. The "Quality of Teaching" effort by USAID through the MOE will help strengthen the MOE's educational support and monitoring role. A Teacher Project, Transportation, and Housing Rehabilitation Fund through the District level will help strengthen District support and responsibility for primary education.

There is concern at the District and local levels that money given at the Ministerial level will never filter down to District and local levels. There is also concern that money controlled by any one office may not be distributed completely or equitably. This Teacher Project, Transportation, and Housing Rehabilitation Fund, therefore, will be distributed directly to Districts through a District bank account with a central bank, monitored by the DEO accountants and open to periodic outside audits. Each will be a DEO account on behalf of the Education Committee of the RC5 (District level policy-making governing bodies), or, perhaps, the newly created Teaching Service Committees at the District level. The DEO must request and receive approval from the Education Committee of the RC5 (or the Teaching Service Committee) for his/her earmarking of aid on the basis of proposals from schools and teachers. The signatures of the District Education Officer, the District Executive Secretary and the District Treasurer would have to be on any checks drawn against the account.

This strategy will strengthen the District government and DEO's role to be responsible for equitably supporting and managing primary education in the Districts, while — specifically and as directly as possible — raising teachers' standard of living. These funds could be tied to a policy change at the District level to gradually allot more District money to primary education over the life of the project, in order to help redevelop and sustain district support for primary education.

Activities

Money would be used for loans of USH 50,000 to USH 100,000 (in 1991 values) for approved purchases (bicycle, beehive, fishing equipment, farm implements, iron sheets for roofing, etc.) to a teacher (or a group of teachers) for profit making activities, transportation, or housing. These loans would be administered by local financial institutions on the regular commercial terms of that institution, and would be treated like any other similar loan.

Since this is considered a temporary supplement to low salaries the loans would receive a capital subsidy element which would not concern the implementing bank. A portion of the initial purchase would be in the form of a grant to those qualifying for the program. The remainder would be in a consumer loan at market rates of interest, constant-payment method. The remaining balance of the principal would be forgiven after a certain number of years of satisfactory service. An

illustrative repayment schedule is given in Appendix E, for a principal amount of USH 100,000 and various maturities and qualifying periods for loan forgiveness.

The teachers must be able to repay loans through their meager salaries, rather than being forced even further out of teaching in order to earn money elsewhere to repay loans. In the figures in Appendix E it is important to note the inadequacy of current salaries, which barely cover interest plus contribution to principal payments on a loan of USH 100,000 (representing a purchase of USH 100,000-142,000 depending on the amount of the grant, 0-30 percent here). This is the primary motivation for the subsidy element. No subsidy will be given to interest payments, in order to avoid undermining existing and potential private sector financial intermediation in the districts and to reduce the temptation for rent-seeking behavior on the part of teachers or program administrators. Due to these terms and to inflation, the USAID-provided revolving fund is expected to decapitalize; the costs and rate of decapitalization will be determined as part of the PAAD design and are not shown here.

An adequate incentive package for teachers involves a continuous and long-term effort. With this effort USAID intends to assist the GOU to initiate this effort.

V. Implementation

A. Non-Project Assistance

Most of the funding for these initiatives will be in the form of non-project assistance in support of the Ugandan balance of payments, which are expected to continue in crisis through the CPSP period. Foreign exchange needs will be largely determined by the need for textbooks, which are currently provided by a British publisher. A small technical assistance component will provide assistance at various levels to the Ministry of Education, plus TA for monitoring and evaluation. Local currency generated by the Program will assist Ugandan institutions in implementation of the proposed activities.

The specific policy changes associated with the NPA will be determined in PAAD design for the Program, as well appropriate tranching to assure that resource flows are commensurate with the scale and pace of policy change. Illustrative policy issues include:

1. Maintaining adequate budgetary support to education, including the budgetary levels to primary education and provision of sufficient materials to assure teacher effectiveness.

2. Revision of the curriculum in primary education to teach and test critical thinking and problem solving skills;

3. Continuing assessment and revision as called for in the Primary Leaving Examination;

4. Design and implementation of appropriate teacher refresher courses to implement this curriculum; and

5. Design of an appropriate means of assistance to reward superior teachers and maintain their standard of living.

6. Increasing parental involvement in all aspects of the educational system.

B. Technical Assistance Component

1. Financial Accounting

These pre-project studies are essential for accounting for local currency use within the Program. With the corruption and lack of accountability that has developed in Uganda over the past two decades, a manageable and auditable financial accounting system must be clarified and consistently used by the institutions implementing the proposed activities. This is necessary for USAID to be able to monitor and audit implementation.

2. Projectized technical assistance

Teacher Refresher/Orientation Courses: Technical assistance will be brought in to help the selected group of facilitators develop methods of training the teacher trainers (a) in the appropriate use of the social studies and science textbooks in classroom teaching, and (b) how to then teach this to the teachers themselves. Technical assistance will be helpful because appropriate teacher training methods model methods that should be used to teach thinking and problem solving skills (discussion, small group activities, role playing, etc). Without constant help it is all too easy for teacher trainers to fall back on lecture and presentation methods instead of modeling the desired methods. Technical assistance will also be used to monitor and evaluate the effectiveness of teacher training and the resulting teaching in the classroom.

Otherwise, all teacher training will be funded and implemented through the Inspectorate of the Ministry of Education, working in cooperation with the National Curriculum Development Center(NCDC), the District Education Offices and the Primary Teacher Training Colleges.

Revision of Primary Leaving Examination (PLE): Technical assistance will be brought in at the beginning of this activity to help the Uganda National Examinations Board (UNEB) organize and run "examination development panels" and "item writing workshops." These will be aimed at both the revision of the PLE and the development of "continuous assessment" techniques and instruments for primary social studies and science curricula. Technical assistance will be helpful to these panels and workshops, because methods of assessing competence in higher order thinking skills and problem solving are difficult to develop and administer. Developing such methods also takes careful adherence to the educational goals, in order not to fall back on familiar methods of testing for simple knowledge of facts and concepts. Technical assistance will also be used in the second and later years of the activity to use new instruments to generate baseline data on student learning and later evidence of any changes. Otherwise, funding and implementation of the examination revision and assessment development, as well as the further use of the new instruments in the Ugandan educational system, will be through UNEB, working in cooperation with the NCDC and the MOE Inspectorate.

Planning: USAID may decide to provide a technical assistant to the Ministry of Education to help with long-term planning, analyze the system and recommend adjustments and carry on a dialogue concerning education policy issues. This technical assistant could also monitor the implementation of the proposed initiatives within the Ministry of Education.

C. Local Currency Use

1. Teacher Standard of Living

Funds for this initiative will provide a credit fund used to buy equipment and materials for teachers. The District Education Offices would implement activities through a local financial institution, including the purchase of local equipment and materials and the technical (but not financial) management of the revolving loan fund. USAID would monitor, audit, and evaluate the implementation. No U.S. technical assistance is anticipated to be needed for this initiative.

This is one possible intervention for improving teachers' standard of living which will be evaluated during Project Design.

2. Distribution of Material

The Ministry of Education will implement these activities. While textbooks and other foreign exchange demands are spent abroad, the Ministry of Education will distribute them to schools in a similar manner to the distribution of textbooks and materials through the World Bank IDA loans.

D. Time line

1. Initiative 1: Financial Accounting

The studies should be completed before project design in order to include the accounting systems and the precondition of their use in the design. If an acceptable accounting system were not established by the time of project design, then the proposed non-projectized implementation should be put under separate project management to ensure accountability.

2. Initiative 2: Quality of Teaching

The first year of this initiative will focus on:

(a) developing the teacher training system by the facilitators and training the teacher trainers,

(b) revising the PLE social studies and science exams and developing continuous assessment instruments in those areas for P1 through P7, and

(c) distributing social studies and science textbooks to primary schools and primary teacher training colleges to supplement IDA distributions, concentrating on providing enough copies in the PTTCs and model/demonstration schools.

The second year of this initiative will include:

(a) beginning the training of primary school teachers,

(b) administering the revised PLE and continuous assessment instruments to establish a baseline of pupil capabilities, and

(c) continuing the distribution of social studies and science textbooks, concentrating on providing enough copies in schools that have teachers being trained.

The remaining three years of this initiative will include:

(a) continuing the training of primary school teachers and monitoring the use of new teaching methods in schools,

(b) administering the revised PLE and continuous assessment instruments to measure changes in pupil capabilities, and

(c) continuing the distribution of textbooks trying to cover as many primary schools as possible.

3. Initiative 3: Teachers' Standard of Living

In the first year of this initiative, model Teacher Project, Transportation, and Housing Fund programs will be set up. Ten Districts spread around the country will be selected from those in which both the District Education Office and the Education Committee of the RC5 (or the District Teaching Service Committee, whichever is more appropriate):

(a) choose to participate,

(b) agree to use the accounting systems outlined by the financial accounting study, and

(c) adopt a policy of providing increasingly more District level resources to primary education. (This last condition might be waived for poor Districts or those already providing more resources than most Districts)

From the second year onward, Teacher Fund programs will be set up in other Districts meeting the same conditions. Lessons learned from the experiences with the model programs will be used to modify how they are set up in other Districts. The goal will be to include all Regions and eventually all Districts.

The amount of money in the Teacher Funds established will be proportional to the number of teachers in the Districts — after "ghost" teachers are eliminated from the count. Each fund will have a given amount allotted each year depending on the District's continuing adherence to the conditions.

The loan funds will be administered through a local financial institution at commercial rates of interest. Authority to forgive portions of principal will be automatic for the initial tranche and will be according to quantifiable criteria for the forgiveness of loan balance. Teachers who leave the program will remain liable for the full loan balance with the financial institution chosen, which will continue to be responsible for loan service.

(See Appendix D, Implementation Time line for a time line chart)

VI. Outcomes (Objectively Verifiable Indicators)

A. Initiative 1: Financial Accounting

An adequate accounting system will be in place for USAID funds before disbursement.

An adequate accounting system will be put in place for all Ministry of Education and District Education Office funds over the life of USAID funding.

B. Initiative 2: Quality of Teaching

From year 2 to year 5 of the initiative, improvement in pupils' learning of the primary social studies and science curricula will be evidenced by measurement on the revised PLE and newly developed continuous assessment instruments.

1. Teacher Refresher/Orientation Courses

A given number of facilitators, then teacher trainers, and finally teachers, will be trained in each year of the project.

A change in teaching of social studies and science will be observed in primary schools by observation of teachers trained.

2. Provision of Textbooks

A given number of textbooks will be delivered to schools, starting with model/demonstration schools and Primary Teacher Training Colleges, next progressing to schools with teachers participating in the training and then all schools.

The school observation system set up for monitoring the implementation of appropriate teaching methods in the classroom will also monitor use of the textbooks.

3. Revision of Primary Leaving Examination (PLE)

By the second year of the initiative, a revised PLE and continuous assessment instruments will be developed to assess the learning in levels P1 through P7 of higher order thinking skills and problem solving abilities consistent with the primary social studies and science curricula.

In the second year of the initiative, pre-tests of pupil learning will be implemented in P1 through P7 classrooms.

In the third through fourth year of the initiative, further testing of pupil learning will be implemented to measure changes resulting from teacher training. (Measurements will be taken in classrooms where teachers have and have not been trained to determine the change due to the training.)

C. Initiative 3: Teachers' Standard of Living

A given number of teachers will have been extended loans by a certain time.

A given number of schools will have been affected.

Schools affected will be spread over the country and over Districts.

Loans will be repaid on time.

The revolving loan fund will be used to make new teacher loans for as long as the grant and forgiveness elements allow it to continue.

District funds will be directed increasingly toward primary schools over the life of the initiative (if this is one of the conditions set in the District).

A survey instrument of affected teachers will measure success of the loan in meeting their targeted needs and any change in their morale resulting from the loan.

Appendices to Annex C-4

Appendix A: Educational Statistics

Note: statistics cover government maintained and aided schools only)

Table 1: Enrollment as Percentage of Age Group

	Primary(6-12)			Secondary(13-18)			Tertiary(20-24)		
	Tot	M	F	Tot	M	F	Tot	M	F
1970	38	46	30	4	6	2	0.5	0.8	0.2
1975	44	53	35	4	6	2	0.6	0.9	0.2
1980	50	56	43	5	7	3	0.5	0.8	0.2
1985	70	--	--	10	--	--	0.8	1.2	0.4
1986	70	76	63	12	16	8	0.8	1.2	0.4
1987	74	--	--	13	--	--	0.9	1.3	0.5
1988	77	--	--	13	n.a.	n.a.	n.a.	-	-

Table 2: Enrollment by Level

Primary School Enrollments

	Schools	Pupils	%F	Teachers	%F	Pupils/ Teacher
1965	2,580	569,218	37	16,319	28	35
1970	2,755	720,127	39	21,471	--	34
1975	3,472	973,604	40	28,681	29	34
1980	4,276	1,292,377	43	38,422	30	34
1985	7,025	2,117,000	--	61,424	--	34
1986	7,350	2,203,824	45	73,141	31	30
1987	7,627	2,430,000	--	72,970	--	33
1988	7,905	2,632,764	--	75,561	--	35

continued...

Secondary School Enrollments

	Total				General Academic			
	Students	%F	Teachers	%F	Students	%F	Teachers	%F
1965	24,099	24	1,532	--	17,323	23	930	29
1970	48,221	--	2,435	--	40,697	24	1,816	--
1975	55,263	26	2,599	--	45,871	26	1,994	20
1980	86,560	--	3,833	--	73,092	29	3,202	--
1985	179,185	--	8,252	--	159,702	--	6,903	--
1986	213,733	34	11,822	--	196,012	35	10,193	--
1987	246,602	--	13,533	--	226,875	--	12,000	--
1988	260,069	--	15,437	--	240,334	--	13,356	--

	Teacher Training				Vocational			
	Students	%F	Teachers	%F	Students	%F	Teachers	%F
1965	3,883	36	269	43	3,219	14	333	--
1970	3,967	30	309	24	3,557	--	310	--
1975	6,096	35	330	--	3,296	3	275	--
1980	10,027	--	388	--	3,441	--	243	--
1985	12,551	--	906	--	6,932	--	443	--
1986	11,229	39	988	21	6,492	11	641	--
1987	13,179	--	910	--	6,548	--	623	--
1988	13,179	--	1,429	--	6,556	--	652	--

Tertiary Enrollments

	Total			
	Students	%F	Teachers	%F
1965	2,091	--	227	--
1970	4,232	18	481	--
1975	5,474	18	617	9
1980	5,856	23	--	--
1985	10,103	23	--	--
1986	11,037	28	--	--
1987	12,531	--	--	--

	University and Equivalent				Other	
	Students	%F	Teachers	%F	Students	Teachers
1965	1,237	--	147	--	854	80
1970	2,953	18	350	--	1,279	131
1975	3,914	16	444	7	1,560	173
1980	4,035	20	--	--	1,821	--
1985	5,390	23	500	--	4,713	--
1986	5,533	23	444	--	5,507	--
1987	5,734	22	--	--	6,797	--

(Source: UNESCO, Statistical Yearbook, 1978-79, 1985, 1990)

Table 3: Expenditure on Education
(000 Shillings)

	Total			Current			Capital	
	Amount	Pct GNP	Pct Govt Expen	Amount	Pct Govt Expen	Pct GDP	Amount	Pct Govt Expen
1965	232	3.8	18.6	200	86.4	--	32	--
1970	362	3.9	17.8	298	82.4	3.2	64	22.3
1975	5,686	2.5	17.0	5,290	93.0	2.4	396	22.0
1980	15,475	1.2	11.3	13,667	88.3	1.1	1,808	12.8
1981	67,280	3.2	12.3	56,910	84.6	2.7	10,370	15.9
1983	163,210	3.3	--	124,020	76.0	2.5	39,190	--
1984	287,970	2.7	--	204,630	71.1	1.9	83,340	--
1987	6,348,700	4.4	22.5	6,187,800	97.5	4.3	160,900	30.9

Current Expenditure as Percent of Total by Education Level

	Primary	Secondary	Tertiary
1965	--	--	--
1970	--	--	--
1975	41.1	33.4	21.9
1980	--	--	--
1981	16.2	58.0	18.0
1983	25.6	40.2	19.9
1984	--	--	--
1987	20.1	60.6	12.9
1988	--	--	--

(Source: UNESCO, Statistical Yearbook, 1978-79, 1985, 1990)

Table 4: Comparative Population Data

	Ugandan Population (millions)	Comparative Growth Rates	
1965	8.58	3.2%	Uganda (1973-85)
1970	9.81	2.9%	Africa (1980-85)
1975	11.55	1.7%	World (1980-85)
1980	13.12	0.3%	Europe (1980-85)
1985	15.49		
1988	17.19		

(Sources: UNESCO, Statistical Yearbook, 1990; UNESCO, Statistical Digest, 1987; UN, Statistical Yearbook, 1985/86)

	Percent of Population below Age 15	No. of Children per Woman
Uganda (1991)	49	6.7
World average (1991)	33	3.7
Developed (1991)	17-22	2

(Source: Population Reference Bureau, Inc., as reported in World Monitor, May 1991, p. 28-29)

Appendix B: Relationship of Proposed Strategy to Education Sector Review of 1990

I. Critical Issues in Primary Education

The *Uganda Education Sector Review: Issues and Options for USAID* (March 1990) argues that primary education is in critical need of expansion and quality improvement. It notes low and declining levels of primary education quality and increases in income and regional inequities and continuation of gender inequities in access to higher quality primary schools.

USAID's strategy agrees with these critical issues and proposes to focus on improving the quality of primary education through mechanisms that will also work to decrease inequities. USAID notes that efforts to increase the quantity of primary education in Uganda to achieve universal primary education have been overwhelmed by the population explosion and have contributed to the extremely low quality of primary education. USAID believes that the immediate need is to return quality to an acceptable standard.

II. Options for USAID Assistance to Uganda

The Education Sector Review outlines a number of options for USAID to choose among:

(1) Non-project assistance for policy change to shift more funds to primary education

(2) Primary teacher training to increase the quality and quantity of teaching at the primary level, focusing on:

- (a) Management information system improvement
- (b) Upgrading pre-service teaching in Primary Teacher Training Colleges (PTTCs)
- (c) Revitalizing present teaching in primary schools through in-service teacher training
- (d) Improving teachers' terms and conditions of service

(3) Improving school-based management through management training of headmasters

(4) Examination reform to, among other things, lessen testing for rote memorization of facts and concepts and strengthen teaching for practical application

(5) Strengthening the planning and statistics unit of the Ministry of Education

(6) Support of community self-help for primary schools

(7) Assistance in integrating agriculture into the curriculum

There are at least nine project possibilities outlined in some detail in the Review. USAID must narrow the options in order to be able to manage its assistance effectively. USAID has decided to combine parts of five of these options into its two major initiatives:

A. Quality of Teaching

The existing approved Ugandan primary textbooks in social studies and science focus on thinking about practical problems, but they are not yet infused into teaching in the primary schools. Their existence offers an opportunity for USAID to anchor its efforts to improve primary teaching in existing Ugandan educational professional institutions and initiatives.

Infusion of the appropriate use of these textbooks into primary teaching through in-service teacher training using Primary Teacher Training College (PTTC) tutors, coupled with corresponding examination revision, will help accomplish three of the goals of the Sector Review: (1) revitalizing the teaching of existing teachers, (2) upgrading pre-service teacher training through training PTTC tutors to train teachers, and (3) examination reform. Connecting these efforts to existing Ugandan curricula and textbooks gives the leverage needed to attempt a revolutionary change in teaching from memorization of knowledge to critical thinking and practical problem solving.

B. Teachers' Standard of Living

This effort by USAID is related to two options discussed by the Sector Review: (1) teacher terms and conditions of service, and (2) community self-help for primary schooling. USAID has chosen to help teachers raise their standard of living more directly through loan funds for teachers through the Districts, rather than more indirect support to the central government or local communities. USAID will couple such aid to Ministry and District policy changes that will eventually affect teachers' working conditions, but we have worked to find a mechanism to provide support to teachers directly in the meantime.

The other options outlined in the Sector Review all focus on management needs: (1) improved management information system, (2) management training for headmasters, and

Appendix C: Estimated Cost of Primary Textbooks for Social Studies and Science
(all figures approximate)

Primary Schools:	8,000	PTTCs (50 desired)	94
Primary Teachers: *	60,000	PTTC tutors:	1,400
* not including 30% ghost teachers			PTTC students: 13,000
Primary Pupils:	2,350,000	40 texts/PTTC =	4,000

Books needed: IDA 5 & USAID

	Pupils	Books Supplied IDA 3 & 4		Cost/ Book	One per Pupil Units (000)	One per Pupil Cost (000)	One per 3 Pupils Units (000)	One per 3 Pupils Cost (000)
P1	650,000	SS	74,000	$3	580	$1,740	150	$450
		Sci	74,000	4	580	2,320	150	600
P2	450,000	SS	55,000	3	400	1,200	100	300
		Sci	55,000	4	400	1,600	100	400
P3	350,000	SS	49,000	3	300	900	75	225
		Sci	49,000	4.5	300	1,350	75	340
P4	300,000	SS	43,000	3	250	750	60	180
		Sci	43,000	6	250	1,500	60	360
P5	250,000	SS	37,000	3.5	200	700	50	175
		Sci	37,000	6	200	1,200	50	300
P6	200,000	SS	31,000	3.5	170	595	43	150
		Sci	31,000	6	170	1,020	43	260
P7	150,000	SS	25,000	3.5	125	438	30	100
		Sci	25,000	6	125	750	30	180
		Atlas	25,000	5	125	625	30	150

	Schools & PTTCs	Teachers' Guide			1/school and PTTC		1/school and PTTC	
P1&2	8,100	SS	0	5	8.1	41	8.1	41
P3&4	8,100	SS	0	5	8.1	41	8.1	41
P5-7	8,100	SS	0	5	8.1	41	8.1	41
P1&2	8,100	Sci	7,800	5	0.3	2	0.3	2
P3&4	8,100	Sci	7,800	5	0.3	2	0.3	2
P5-7	8,100	Sci	11,700	5	0	0	0	0
Total Costs (000)						$16,815		$4,297

Appendix D: Implementation Time Line

YEAR

ACTIVITY

	0	1	2	3	4	5
Financial Accounting	Studies Precondition		Use Financial Accounting System in Project and Non-Project Assistance			
Teacher Develop Training	Train Primary Teachers	Teacher Training System				
		Train Teacher Trainers			Monitor Teaching in Classrooms	
Exam Revision		Revise PLE	Baseline Data on Pupil Learning		Measure Changes in Pupil Learning	
		Develop Continuous Assessment Instrument				
Textbooks		Distribute to PTTCs and Model Schools		Distribute to Schools with Trained Teachers		
				Distribute to All Schools		
Teachers' Standard of Living	10 Model Continue Model Program Funding	Teacher Fund Programs		Expand to Other Districts		

Appendix E: Cost of Illustrative Teacher Loan Scheme

Forgiveness of debt calculation Principal: USH 100,000								
Maturity: 7 years Forgiven: 3 years			10 years 3 years			10 years 5 years		
Interest rate assumptions								
29%	33%	39%	29%	33%	39%	29%	33%	39%
A. Amortized loan, constant monthly payment								
Monthly payment								
2,792	3,064	3,488	2,563	2,860	3,322	2,563	2,860	3,322
Total Payments (USH 000)								
100.5	110.3	125.6	92.3	103.0	119.6	153.8	171.6	199.3
Balance forgiven: (USH 000)								
78.8	81.1	84.2	91.8	93.4	95.2	80.7	83.6	87.2
B. Interest payments only								
Monthly payment								
2,417	2,750	3,250	2,417	2,750	3,250	2,417	2,750	3,250
Total Payments: (USH 000)								
87.0	99.0	117.0	87.0	99.0	117.0	145.0	165.0	195.0
Balance forgiven: (USH 000)								
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Appendix F: Radio in Non-formal Learning

FM radio has certain advantages for local broadcasting. Its limited range can be a virtue, in that different stations can broadcast on the same part of the limited frequency band in different regions, in different languages. Shorter-range stations are more amenable to local control and governance, and to meeting local interests. Its major disadvantages are a requirement for more expensive receivers than AM, and the very limited range (essentially line-of-sight) which requires a larger capital investment to cover the entire country.

The Ugandan civil war destroyed the one-time countrywide network of FM transmitters. Apparently several different donors have fielded consultants to come in and explore various ways to restore some radio penetration to all parts of the country. The International Telecommunications Union is providing TA to the Ministry of Information about the feasibility of rehabilitating the system.

The MOI has severe managerial capacity constraints, to the point where at a meeting between the CPSP team, the ITU advisor, a senior TV engineer, the chief broadcasting engineer for Radio Uganda, one of his deputies, and the director of engineering for Uganda-TV, the combined staff was unable to state how many functional installations exist in the country, eight or six. They were prepared to agree that restoring nationwide coverage would require 15 transmitters at a cost of $125,000 per installation including backup generators. The Japanese have already financed five. A consultant for DANICOM, a communications consulting firm affiliated with DANIDA, claims such strong transmitters are not the best option for Uganda compared to many inexpensive ones which could do small area broadcasting.

Radio has many uses in education, particularly adult and non-formal education and particularly as an adjunct to local teachers rather than as a substitute. For instance, the DANICOM consultant is preparing a "District-Focused Family Life Communication Strategy Paper" for FAO/UNFPA. This paper applies fundamental research knowledge from the mass communication field to a strategy for effecting change in health behavior. For this, radio is the medium of choice for reaching a rural, illiterate population.

DANICOM has working models of solar-strip powered receivers which would cost about $15. One strategy would be to install such receivers in community meeting points, as resources for a local discussion leader to conduct discussions of social information programs whose topic and scheduled would be announced well in advance, in the same vein as focus groups which guide behavior change but on a larger scale.

As an alternative, the plant manager at Musicraft (a Kampala electronics assembly plant) calculates he can produce a battery powered radio for USH 8-10,000 ($8-11, or presumably $12-20 at retail), without any preferential access to foreign exchange. While inexpensive, this is still beyond the reach of many rural households. If the price of batteries -- between USH 150-500 per pair according to quality and locale -- is factored in, the solar radio becomes competitive.

A project to provide radio transmitters faces many design obstacles, among them 1) the ability of the MOI to operate a network of this scale given its current resource constraints, 2) the ability of other ministries to produce program material, and to train and equip the discussion leaders called for. More serious questions related to 3) the ownership of the receivers ("public" goods are usually poorly maintained compared to privately owned goods, as the NRM's recent experience with tractor services

has shown), and especially 4) the ownership of the transmitters, with private ownership (with a public service broadcast requirement attached to the license) being a viable alternative to government ownership: more sustainable (through revenues), more responsive to local needs, better motivated in management and marketing, but undoubtedly politically untenable both to the NRM and to Ugandans brought up in a British-style system. Such a system would require careful design.

Both the DHS and the rural assessment of women survey found that less than 30 percent of the surveyed population had access to radio weekly, fewer still had a set in the household, and still fewer had one with live batteries. A radio project could bring radio within reach of 85 percent of the population. It would not solve the far greater problems associated with attempting to use mass communications in education. While it appears to be moving ahead under Danish and Japanese support, this will not be a component of the USAID strategy in education.

ANNEX C-5

THE FINANCIAL SECTOR

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The Financial Sector
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The Financial Sector

Introduction

A well-functioning financial sector is essential to macroeconomic growth and transformation. Without intermediation of savings, and without their transformation both in time — from short-term deposits to longer-term loans or equity — and space, high rates of productive investment necessary for growth are impossible. There is clear evidence that individuals and companies at all levels of Ugandan society *do* save, but real and non-monetized assets are preferred to monetary assets. This is highly rational for the saver when the financial system cannot offer equal or better reward and liquidity. If Uganda is to create productive capital in order to increase productivity and growth, it must mobilize savings and direct them toward profitable equity and loan capital from micro-enterprises to those large firms able to contribute to growth. The financial sector is not now capable of this intermediation.

The formal financial sector is in crisis, for reasons resulting from its own performance (abetted by donor directed credit), from the macroeconomic environment over which it has no control (but has decimated its capital while making its real returns uncertain), and from inadequate supervision which should have been responsive to these problems at an early date. The informal financial sector, which is widespread, is almost wholly unknown. The money supply covers only six percent of GDP, meaning the money supply — cash, savings, all — must turn over every 22 days on average to pay for goods and services. At this velocity it is likely that sales (and hence production) suffer from lack of liquidity (cash on hand to make a purchase) rather than lack of income or wealth. Recovery (particularly in rural areas) and growth are impeded by lack of money as much as lack of income.

Rehabilitation of the financial sector requires deepening of the financial system, that is, increasing the variety and characteristics of financial instruments available for savers and for investors, and increasing confidence in the financial system so that increased savings flows pass through the system to be available for investment. Attainment of macroeconomic stability is a necessary precondition, so Ugandans regain confidence in their monetary system. Another is rehabilitation of institutions (particularly those which will continue to be adversely affected by the stabilization program itself), as is development of efficient financial instruments for transforming transactions balances and savings into equity and loan capital. A.I.D. can have a central role in this, in collaboration with concerned Ugandan policy makers and other providers of technical assistance and funds.

The GOU has developed a program which is both consistent and puts the development of a sustainable financial system ahead of supply-leading finance with directed (sometimes subsidized) credit to priority sectors, in which an important strategic role is open for A.I.D.. With certain essential "core" components assured by the World Bank and International Monetary Fund, USAID can effectively attempt activities at which A.I.D. has a comparative advantage, and where programs must begin experimentally, the type and the scale on which World Bank programs are inappropriate, on the frontier of deepening and development of the financial system.

The A.I.D. financial sector strategy can reasonably and successfully address three goals:

1. assisting monetary deepening through extending and expanding the benefits of the financial market and particularly savings on a sustainable basis to all of society, by improving the viability of the rural formal sector, facilitating the widespread informal sector, and improving constructive linkages between the two;

2. reducing transaction costs which impede trade and other private sector activity, by complementing other donors' activities in the sector; and

3. changing profoundly the policy environment in which the financial sector operates, through providing information (including feedback) and assistance to policy makers who attempt to make the financial system more accommodating to private needs.

Potential interventions are discussed in this Annex which are useful in themselves, complement each other, and individually or as a whole complement the elements of the financial sector strategy on which the Bank and Fund are concentrating their resources. The USAID strategy can vary in intensity from a few to all of the programs discussed, as knowledge and resources permit.

The first element, monetary deepening, might focus in particular on three segments of society, either through separate programs or jointly: 1) savers (including those developing equity for small enterprises) who collectively are the most important group for attention; 2) unfavored social groups which currently can neither save at positive real interest rates nor claim preferential access to rationed credit and foreign exchange; and 3) the majority of Ugandans who live outside the Kampala-Jinja area (which is already well covered by banking branches). Special attention would be given to the *poor* and the *near-poor,* including *microenterprises,* many of which are currently served by a large informal financial sector in need of a facilitative legal and regulatory environment and voluntary integration with the formal sector. As part of this element, USAID will continue to phase out directed credit schemes which have heretofore encouraged rent-seeking activities and have attempted to fill needs which appear not to be among the highest priorities for users of the financial system.

Besides developing markets based on savings-driven financial institutions seeking safety and positive returns rather than inflation, a second strategic element addressing reducing transactions costs in financial markets would complement IBRD/IMF activities to create such markets. It would be based on USAID's comparative advantage, which includes not only availability of technical assistance, but also having a full field mission, having flexible local currency funds to address targets of opportunity, and being able to offer grant funding. AID would, in a phased fashion over the CPSP period, improve the functioning of various markets: forex, money-market, interbank, cheque clearing, and eventually property and equities.

These activities give USAID a strong *bone fides* for undertaking in collaboration with interested Ugandan policy makers policy reform in the financial sector, in which liberalization measures taken could be demonstrated to aid savers and micro-entrepreneurs and in turn serve as convincing arguments for further, well-considered steps toward liberalization and integration of the informal and formal sectors. Policy dialogue of this sort and the programs proposed would be highly complementary.

Sequencing of A.I.D. activities would include restructuring of its existing directed credits into money market instruments which would support market development and reduce the costs imposed on the system by its current activities, then program assistance to support expansion of the financial sector in a non-inflationary sense coupled with technical assistance to transform certain rural banking units into depositor-motivated institutions; toward the end of the CPSP period this would be nation-wide.

This Annex develops this strategy. It begins with a description of the sector, continues with an overview of the strategy developed by the GOU with World Bank assistance, and then identifies the

major programmatic elements which would form the core of a USAID strategy as well as other items at which USAID could complement the World Bank and other donors in achievement of the three strategic goals given above.

Description of the Financial Sector

Uganda has a widespread *informal* financial sector about which little is known, including its health, and a shallow *formal* financial sector which is known to be in a state of crisis. A very rough overview is provided in the table on the next page, which is based on interview evidence; it gives only a "guesstimate" order of magnitude for all but formal banking institutions, as actual importance is unknown.

Nearly all Ugandans belong to a *savings club* designed to share extraordinary and/or unanticipated need for expenditures. This form of informal economic organization is so common that most persons interviewed do not think of it as a financial institution except upon reflection, and have no name for it. It provides an important safety net of the same sort as provided by savings where such are secure. Less universal, but economically more important, is (it appears) a large, private informal and "transitional" financial sector, the precise nature of which is poorly understood. It appears to consist of two components: rotating credit associations (*ROSCAs*, some of which offer other banking services or lend at risk-adjusted market rates to non-members — Saulniers, p. 3);[1] and *producer credit* (sale on consignment) as a necessary step to place goods in markets. *Pawnshops* are unknown and there is little *supplier credit* (the latter probably for temporary, macroeconomic reasons).

The formal financial sector consists (on 31 Dec. 1990) of the Central Bank, Bank of Uganda (BOU); ten commercial banks; two development banks; ten non-bank (non-deposit-taking) credit institutions specializing in hire/purchase finance; two finance companies; a post-office savings bank; fourteen insurance companies; ten building societies ("savings and loans"), of which only five are active and two have failed since 1990; some pension funds; two investment companies; and 41 foreign exchange (forex) bureaux, 13 of which are wholly owned by commercial banks. Table 6a[2] lists these with their distribution of branches.[3] Commercial banks, which account for over 90 percent of the assets of the system, are dominated by the parastatal Uganda Commercial Bank (UCB), with about half the assets and deposits and accounting for 184 of the country's 230 commercial bank branches. The Cooperative Bank (COOP), which is owned by the state-controlled cooperative movement, has the second largest number of branches (24) and is third largest in terms of assets (seven percent, after Barclays with 16 percent). The GOU has a 49 percent share of three banks in joint partnerships with foreign banks,[4] while Standard Chartered Bank is wholly foreign owned.

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[1]Adams reports (personal communication July 1991) ROSCAs to be nearly universal in Uganda, but so informal in nature that no local name exists even for the concept. Members of such compacts expressed both surprise that the concept is worldwide and interest in how they could function differently or better.

[2]All table references are found in Annex B, Economic and Statistical Tables.

[3]During Jan-July 1991 one commercial bank opened and two building societies failed.

[4]The result of nationalizing of these banks in 1970 with the GOU seizing 60 percent control, relaxed in 1971 under the Amin regime to 49 percent.

Uganda: Financial System

Institution	Character	Coverage	Comment
Cost sharing club	Private, informal	Near-universal?	Lends for catastrophic or high cost, low or no interest (?)
ROSCA	Private, informal	Over 75 pct. population?	No generic name, continual re-invention, no apparent use more sophisticated models distribution.
Producer credit (consignment)	Private	Unknown	Producers of agricultural goods appear to cover most working capital requirements of marketers.
"Transitional" ROSCA	Private, informal	Unknown	Creates surplus to lend at mkt rates of interest, incl. to outsiders. Identified by Seulniers.
Supplier credit	Private w/ possible bank cred.	Unknown	Currently very low due to macroeconomic conditions; has potential as distribution of inputs increases and inflation is reduced.
Credit Unions	Cooperative, formal	753 registered w/ USCU, 421 active	
Post Office Savings Bank, Giro	State-owned	Unknown	Moribund, probably illiquid and insolvent using accepted measures.
UCB	Parastatal	186 branches (67 Kampala-Jinja)	Insolvent, partially due to overhead of branches.
Forex bureaux	private, public, coop	41 (Dec 1990)	28 private cos, 1 coop bank, 4 public bank, 8 other — forex transactions only, not banking.
Cooperative Bank	Cooperative/ Parastatal	24 branches (7 Kampala-Jinja)	Insolvent, major internal problems of governance control, and embezzlement.
Premier Bldg Soc.	Pvt. S&L	6 branches	Bankrupt 1991
Barclay's Bank	Foreign-pub. Jt. venture	5 branches (all Kampala-Jinja)	
Bank of Baroda	Foreign-pub. Jt. venture	5 branches (3 Kampala-Jinja)	
Other comm. banks	Foreign or Jt. venture	3 banks, 10 branches	Highest profitability
Other comm. banks	Indigenous	3 banks, 6 branches	
Credit institutions	Private	10 insts, 16 branches	Mostly hire-purchase
Other bldng societies	Private	9 insts, 3 branches	One failure 1991
Development banks	Multilateral or Gov't	2 institutions	

Recent private sector banking growth has been rapid, including the establishment of Gold Trust Bank (in 1985), Nile Bank (1988), Centenary Bank and Teefe Trust (1990), and Greenland Bank (1991). Two non-bank credit institutions (International Credit and Rapid Finance) were established in 1990. The 41 (end-1990) Forex bureaux have *all* been created or authorized since the June 1990 legalization of the parallel, or *Kibanda*, market which probably continues to function on a minor scale since the legal forex market is still not completely free.[5]

The Cooperative movement which controls COOP comprises 753 credit and savings cooperative societies registered with the Uganda Savings and Credit Union (USCU), of which only 421 are active and which compete for access to a limited pool of funds. They vary widely in their approach to financial intermediation and institutional sustainability, with lending rates varying (among those interviewed by Saulniers (p.6)) from ten percent per year to ten percent per week. USCU is currently fighting serious internal and supervisory problems of rampant embezzlement, corruption and mismanagement (NRM 1991 p. 84).

Despite these signs of private sector dynamism, the sector as a whole is in deep distress. Both UCB and COOP are insolvent, and some financial institutions, such as the Post Office Savings Bank and the Housing Finance Company, do negligible amounts of business. Even the stronger banks which are not in financial distress are largely capitalized through their recently revaluated real estate and buildings, not liquid reserves that serve as protection of capital against bad loans, or large withdrawals of deposits. The currency reform of 1987 which (in addition to redenominating the Shilling by a factor of 100) imposed a 30 percent conversion tax was particularly and disproportionately severe for a sector most of the assets of which are nominal, not real. Uganda has experienced severe disintermediation, notable in the decline in monetary depth from 22 percent to 5.1 percent over 20 years.

Published credit data sources by sector, besides being suspect (as in all countries) due to fungibility of credit, is only available for year-end balances undifferentiated by loan quality, not for new commitments or number of loans. It is available only for commercial banks, as part of their reporting requirement to the BOU. No information is available on number of deposits, nor is reporting available for other financial institutions, including credit unions. Informal credit data such as the volume of producer or trade credit are unknown. Given current information availability, the access of individuals and firms to financial services is only a matter of conjecture.

The financial sector and monetary deepening

The "depth" of the financial system can be summarized by two indicators, the ratio of broad money[6] (M_2) to GDP, and the share of currency as a component of M_2. Money is held as an asset for transactions. It is also a component of savings, either because it earns interest from the profits of on-

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[5]Purchases of foreign exchange are limited to various ceilings for various purposes, various documentation is required, BOU Exchange Control Department approval is required for certain transfers, and the requirement that all transactions must be documented means that anonymity cannot be assured.

[6]*Narrow money* (M_1) consists of currency in circulation plus demand (chequing) deposits, and serves as an approximation of money balances used for day-to-day financial transactions. *Broad money* (M_2) consists of narrow money plus savings and time deposits, representing money held for all purposes--transactions plus as an asset in savings portfolios.

lending by financial intermediaries to higher yielding investments, or because the holder is accumulating liquid assets to make a "lumpy" purchase such as a consumer durable or equity in an enterprise, or both. The more diverse instruments available for savings (and as sources of investment), the more likely individuals and firms will be willing to use financial intermediaries.[7] The funds mobilized by these intermediaries are available for credit creation, thus expanding the range of investment in the economy. Assets which individuals and firms hold as currency are not available for on-lending by banks and thereby for credit creation, hence the importance of the Currency/M_2 ratio. Also, loans to the Government to finance a budget deficit are immediately disbursed and so do not lead to credit expansion. In general, though, the M_2/GDP ratio is a good indicator of both confidence in the financial system and the ability of the financial system to contribute to national development.

The monetary system of Uganda is among the most shallow in Africa. The ratio M_2/GDP of 6.2 percent in 1990, shows only a slight improvement on a value of 5.1 percent for 1987 (Table 2c). This low penetration of money in the economy and the lack of private monetary creation through credit are the result of decay: M_2/GDP was 22 in the 1960s (approximately the value for all of Africa in 1985-90) halved to 11.5 by 1983 and has halved again since. The financial sector is actually even more shallow than suggested by this figure, since currency — which since 1986 accounts for more than half of transactions balances held by the public (Table 2c) — is not available to back commercial bank credit creation. At such a low level of monetization of the economy, it is possible that lack of liquidity actually impedes functioning of local and rural economies (even sufficient assets do not guarantee cash balances on any given day to pay taxes, school fees, or market purchases which would contribute to the income — and in turn the level of spending — of the seller).[8]

The lack of confidence in the Ugandan financial system which leads to lack of depth has been variously ascribed to civil strife, weakness in laws protecting financial transactions, poor or arrogant service by financial intermediaries, and until recently highly negative real interest rates. The non-monetized economy offers substitute assets, such as plantain (*matooke*) as a substitute for monetary savings (described below), which provide convenience, a store of value, and a positive own-rate of return, but which provide neither funds for real investment that will lead to economic growth, nor other gains to monetary deepening.

Besides shallow, the financial system is undiversified. There is little long-term debt or equity financing, partially in response to high and unpredictable rates of inflation in the past. This is exacerbated by the absence of both a capital market (the Kampala Stock Exchange, which is not yet operational, is discussed below) and direct investors such as investment banks and other non-bank financial intermediaries (NBFIs) which take equity positions. Nor is there much liquidity and ability to meet minor runs on deposits. In the absence of an interbank market and with only a small money market dealing primarily in Treasury bills, the foreign exchange market is the only potential instrument for adjusting shilling balances among financial intermediaries or for the BOU to inject or drain liquidity overall. The size of the informal sector is unknown, and while it may have an important impact on

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[7]Intermediaries can be classified into banks (of various types) and non-bank financial institutions (insurance companies, pension funds, mutual funds, and other institutions which exist primarily to invest their assets to yield future income sufficient to pay anticipated claims and still leave a profit).

[8]In one village the CPSP analytical team observed the mass arrest of heads of households which had not paid the graduated [income] tax. They were followed at a close distance by relatives carrying crops and ruminants for sale to pay the tax. As the municipal market was small and probably illiquid, any (few) buyers could exert strong monopsony power over the many sellers.

savings mobilization within individual villages or market places, it does not yet offer significant possibilities for financial transformation (though Saulniers has identified "transitional" ROSCAs which are successful[9] financial intermediaries and which could provide the nucleus for a rural financial sector). Only since 1991[10] have insurance companies been allowed to underwrite policies (rather than serve as brokers for offshore firms), while the Government pension fund dominates the potential market for non-bank financial intermediaries in the market for equities and long-term loans.

Macroeconomic implications of lack of monetary depth

Besides denying the economy a source of investible funds, financial shallowness in Uganda has important implications for both fiscal management and donor aid flows. A relatively small expansion of the fiscal deficit will have a major impact on monetary expansion. For instance, a deficit equivalent to four percent of GDP, which is not high by any standards, requires monetary expansion of sixty percent when financed through the domestic financial system. In the other direction, deficit-driven inflation causes a transfer of real spending power to the government (which purchases resources by creating money) from the private sector (which loses purchasing power over these same resources through inflation), or what is called an "inflation tax". The interaction between fiscal deficits and inflation is a vicious circle. The "virtuous" side of this is that reduction in the fiscal deficit has a multiplier effect on reducing inflation, and vice-versa. Increasing financial depth increases the ability of Government to borrow without the same increase in inflation.

Similarly, donor aid flows provide foreign exchange, but most donors (including the U.S.) require the generation and use of local currency equivalents. In effect, this calls for monetary creation by the Central Bank, as these dollars are converted to shillings. Since the ratio of M_2 to GDP is determined by the public's desire to hold cash balances, when it is low this monetary creation is highly inflationary in an already inflationary environment, and must be sterilized (re-converted to a less liquid asset) by the Central Bank. The only open market instrument currently available to the BOU is the forex market (this is analyzed below), so the BOU must reconvert some of these balances to foreign exchange. Other options available to it are 1) to reduce the Government budget deficit (that is, reduce the role of Government in the economy), and 2) to squeeze liquidity out of the economy by raising interest rates, forcing private investors and consumers out of the market. Donors gain access to limited *domestic* resources at the expense of others, not in addition to them. Thus monetary deepening will increase the effectiveness of local currency aid, while continued shallowness emphasizes its inevitable pernicious aspects.

Insufficient depth has exacerbated the normal problems of monetary management in a system where the Central Bank (which took over full monetary policy functions only in 1966 in the beginnings of the collapse of the East African Community) lacks experience in the exercise of monetary control.

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[9]One association observed at Lake Katwe has 20 members (of which 18 are women). Each member contributes USh 2,000 per month, USh 30,000 is distributed ROSCA-style, and the balance (USh 10,000) is added to a credit fund available to either members or non-members. This fund is lent at 10 percent per week (1,320 percent annualized if compounded weekly, so clearly for short-term loans only) interest, against 200 percent collateral deposited with the treasurer. The association has had no default in three years, and it cannot meet the demand for its credit at these terms. Its capital doubles (in nominal terms) every twenty weeks. Such examples are merely illustrative until more study has been done.

[10]A time of rapid and so far unpredictable growth in mortality from AIDS, which will confound actuarial calculations for newly-liberated life insurance companies.

The result has been particularly evident in lack of control on credit expansion, both quantity of credit — for instance in 1989 when the BOU took over coffee financing[11] — and quality of supervision, with a large number of projects built on credit now lying dormant or operating at low levels of capacity.

Without financial deepening it will be difficult for the GOU to meet monetary and fiscal targets, or to provide growth of credit which the private sector needs for expansion and even for its smooth operation, without occasional supply shortages. These shortages will be reinforced by 1) the current restriction on crop financing (which has been imposed following the price explosion related to the 1989 attempt at crop financing by BOU, and the generally inflationary program lending to agriculture) may be ignored in practice for political reasons, and 2) inevitable GOU claims on some of credit which has been targeted for the private sector. Targeting itself is of doubtful effectiveness, particularly in such a case.

Intermediation costs and growth

Intermediated savings are low, with savings and time deposits well under one percent of GDP (Tables 2a, 2c). Currency dominates the supply of broad money with 42 percent, though this is considerably less than its peak of 51 percent in 1988. It is followed in importance by demand deposits (41 percent) and then time and savings deposits (12 percent). Low intermediation should not be confused with a low savings rate in Uganda, for it appears that rural producers in the South use plantain (*matooke*) as a substitute asset for monetary savings. *Matooke* requires little labor and no purchased inputs to propagate and maintain, and not much land (though it degrades soil fertility). In return, it provides convenience of access (harvest nearly at will), relative security from theft (due to low value per unit volume), and offers both a store of value and a positive own-rate of return which until 1990-91 could not be matched by financial assets in a highly inflationary economy. Cassava or other crops are used elsewhere, but are inferior to *matooke* as a "financial" asset. The contribution of such crops to total assets is, however, unknown. Unless savers willingly prefer financial system assets to real assets, intermediation will be impeded and any boost to economic activity will quickly run into shortages of domestic finance.

The cost of credit depends upon three variables: cost of funds, intermediation costs, and profit (or economic rent). The cost of funds depends upon the interest rate and upon various subsidies to that interest rate provided by the Government or by donors, which in turn affect this willingness of individuals and firms to deposit funds with the financial system.

Interest rates are administratively determined. They were significantly negative in real terms during the mid 1980s, with the real interest rate reaching -328 percent on savings deposits and -318 percent on loans in 1986 before becoming positive (+10 percent on savings deposits, 2-27 percent on loans in real terms, since declined to 6 percent and 10-17 percent, respectively) in mid-1990 (refer to Table 3a). Such highly negative rates contributed to disintermediation and to high demand for credit at a time when real output growth and inflation have both been high, leading to severe liquidity squeezes on banks and system-wide breaching of reserve ratios for prudential lending.

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[11] This led first to rapid credit expansion in contravention of the Central Bank's primary role in regulating credit and the money supply, and subsequently to repayment problems resulting from the BOU engaging in commercial banking activities for which it was not trained or equipped.

Intermediation and the effectiveness of monetary policy depend on the reduction of time and transactions costs and the development of secondary, interbank, and money markets. *Cheque clearing* represents one such cost. There are long delays at present between depositing cheques or giros (post office money orders) and receiving the use of the funds represented, which both increase costs under the current monetary regime (due to loss of value through inflation more than through the opportunity cost of the funds) and increases the potential for fraud. The greatest delays are a month for clearing out-of-Kampala cheques and about six days (for all cheques) for accounting for settlement in the BOU books (IBRD, 1990f, p. 72). Each of these can be greatly improved through technical assistance and institutional strengthening through improved systems.

Policies affecting financial intermediation

The policy and regulatory regime is closely associated with many of the problems facing the Ugandan financial sector and in turn the macroeconomic environment supported by the sector.

Structural adjustment, by its very nature and characteristics, gives immediate benefit to those most prepared to respond to the opportunities it offers. These beneficiaries are mostly urban and commercial. The financial system is capable of spreading the benefits more widely to households and potential entrepreneurs elsewhere; it is equally capable of restricting benefits to a chosen set of rent-seekers if care is not taken in design of sector adjustment programs. Special attention must be given to the poor and the near-poor. Preconditions for financial deepening are macroeconomic stability, low (or at least stable) inflation, and policy stability ("no surprises").

Structural adjustment itself places a severe strain on the financial system, particularly through high real interest rates facing marginal borrowers, which in turn place pressure on policy makers to reverse or ameliorate the "bitter medicine" which the economy requires.

Macroeconomic stability is not yet assured, but is treated elsewhere in this CPSP and must be taken for granted in this Annex. Low revenue collection of the GOU (six percent of GDP) poses risks for the credit markets where the GOU will tend to crowd out other borrowers, as well as for its impact on inflation as long as the financial system remains shallow. There is a further risk that policy-makers who do not understand the principles of market economics will revert to administrative allocation of credit or to foreign exchange when fiscal or monetary pressures are upon them; indeed, until recently the IMF was a major force in requiring credit allocation. Both continued fiscal and monetary stability and improvement are called for if this strategy is to have a chance of success.

The legal and regulatory environment is essential for the development of property rights and a competitive private sector, for developing the fiduciary role of NBFIs as contributors to growth and participant in deep markets. This study did not determine specific problems, some of which will emerge from assistance currently being given in land tenure research.

The policy environment maintained since independence of a nationalized banking network providing credit to rural areas has proven unsatisfactory, due to 1) high intermediation costs, the 2) low priority of credit among the many severe constraints facing rural producers, and 3) overwhelming macroeconomic adversity. The basic philosophy and attitudes of policy makers favor the few borrowers over the many small savers, creating an incentive structure which impedes responsibility for savings mobilization and development of equity for micro- and small enterprises in production and trade. It has also created an articulate lobby of economic rent-seekers which impedes policy reform.

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In common with most countries, there is no public policy or even attitude toward the informal sector in finance. Banking legislation, reflecting current policy, implies a threshold of "formality" above which full BOU supervision based on capital adequacy and prudential ratios is imposed.[16] If "transitional" ROSCAs grow, the legitimate supervisory role of the BOU cannot gradually replace the democratic governance which is preferable for small institutions in a continuous fashion.

Administered markets are still the choice of policy makers for BOU intervention. For example, foreign exchange is primarily allocated through the administrative procedures of the BOU, with only a residual traded in relatively free markets. The GOU has proposed in the PFP the convergence of the FEB and BOU exchange rates by the end of 1991, but it appears that the allocative system will not be changed, and that it is intended that the BOU will continue to allocate the greater part of Uganda's foreign exchange receipts from coffee exports and donor aid.

Coffee exports and petroleum imports continue to be major contributors to the administrative system. The former serves as a heavy "tax" on the sector, and as a result the GOU is increasingly losing tax revenues from official exports (due to the disincentive to produce and to renew coffee plants, and the incentive to divert existing export production to black markets). The latter introduces heavy distortions into the import of oil: Uganda has foregone a reliable source of petroleum products from firms competing freely for market share; and moreover, while oil imports *appear* to be subsidized through exchange rate overvaluation, this is more than offset through domestic taxes (which, due to low world coffee prices and coffee disincentives in 1990, surpassed coffee revenues to become the largest single source of tax revenue).

One particular problem in liberalization of markets — the forex market in particular — is that early markets are "spot" in nature. This is a particular shortcoming of the present foreign exchange allocation system. Private sector people interviewed prefer OGL/SIP to FEB (though some may be rent-seeking, due to the current subsidy element) because under OGL/SIP they can use letters of credit whereas on the forex market importers must deposit the full value in cash, often for long periods.

The foreign exchange auction system may be changed before this CPSP comes into force. During CPSP design it was clear that the Ministry of Finance has no intention of "liberalizing" the (moving to a market-determined) foreign exchange market. It appears to make these assumptions:

1. BOU allocates forex according to "need" and national goals;
2. Forex Bureaux (FEB) encourage smugglers to come out of the closet, no more; and
3. Auctioned forex goes for luxuries.

FEB are tolerated, while BOU continues to allocate foreign exchange with one eye on the "market" rate for the indicative rate at which to trade, and is forcing this administered rate to converge toward the FEB rate. In this view, no bureaucracies need be abolished or modified, nor does a foreign exchange auction need be established. This group of policy-makers is perplexed as to why donors talk about means of replacing or modifying working institutions.

Implementation of policy change is impeded by a lack of understanding of the various stakeholders in the existing regime, and due to a lack of the necessary management information to obtain relevant macroeconomic and financial aggregates which permit informed policy choices. BOU

[16] In fact, the BOU is unable to monitor this adequately even for the formal sector currently supervised.

has no timely view of monetary and financial aggregates, how they are changing, what causes the change, and what interventions can affect these aggregates.

Analysis of Financial Sector Strategy

The financial sector strategy for Uganda is being argued out by the GOU with substantial World Bank assistance as part of preparation for a Financial Sector Adjustment Credit (FSAC). While the core of assistance is provided by the Bank and IMF, the component taken by these two institutions is by no means complete and leaves major areas which can be addressed effectively by A.I.D.

Strategic Role of the Other Donors

The principal components chosen by the World Bank and IMF to address in the financial sector strategy are:

1. Breaking the vicious circle caused by the contribution of the financial sector to macroeconomic instability, and that of macroeconomic instability on financial weakness;
2. Restoring solvency and viability of two large problem banks in the short term, the sector as a whole in the long term;
3. Improving the authority and capacity of the BOU to supervise and maintain the financial system;
4. Reviewing the adequacy of financial services, and of the role of credit in increasing capacity and output, with a view to possible future assistance; and
5. Investigating the role of specialized financial institutions in the provision of productive services (IBRD 1991f[17] p. 12)

The IMF has followed a structural adjustment facility of SDR 49.8 million with three arrangements under an Enhanced Structural Adjustment Facility (ESAF) of SDR 74.7 million in 1989/90, SDR 54.78 million in 1990/91, and SDR 49.8 million (anticipated) in 1991/92 to provide essential forex (especially debt service) which the country is unable to meet from its projected resource balance (IMF, 1990).

The IBRD is focusing on restructuring and strengthening the Central Bank, the two main commercial banks and development finance institutions, and on bolstering the BOU role in monetary policy and financial supervision.

British ODA provides technical assistance to the BOU. Finally, other donors (Swedish SIDA in COOP, for instance, besides USAID in BOU and COOP) are providing resources and/or technical assistance to particular financial intermediaries. Several major donors have a significant impact on financial markets through the volume and modality of their aid flows, including especially IBRD, EEC, ODA, USAID, and DANIDA among others, which must be considered a "policy" towards the financial sector even when it is by (for better or for worse) default for want of developing a reasoned strategy.

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[17]References to the IBRD Financial Sector Review in this Annex are to Volume II: Main Report.

In this range of assistance, a USAID strategy of assistance could 1) extend the reform program to cover rural income and production, and non-traditional exports, all priorities for the A.I.D. program, 2) complement this program, and 3) provide policy assistance. Concerning level, such a strategy can be based on merely a few facilitating components, or be expanded to several active components.

The World Bank Financial Sector Report (1990f) guidance for the restructuring of the financial system is well-considered, in line with its liberalization and the move to market-based monetary control mechanisms. It provides a framework for the design of strategic intervention by others. This section analyzes specific areas and markets in which donor intervention would complement Ugandan efforts most effectively.

Strategic Issues to be Addressed

Financial Deepening

The financial sector requires a great increase in the scale and diversity of funding sources available for private sector development in Uganda. The outcome of the strategy would be:

- To reduce the negative impacts of donor funding on recipient economy when account is taken of the stabilization needs of the central bank;
- To increase domestic savings as protection for the poor and near-poor against external shocks;
- To increase domestic savings as a source for domestic investment, in micro-, small-, medium- and large enterprises through both equity capital and intermediation of loanable funds;
- To increase the capacity of the economy of Uganda to absorb successfully the credit needs of producers and exporters, the impact of donor interventions, and GOU funding requirements; and
- To increase the discipline of financial intermediation by developing a depositor-oriented financial system.

Financial intermediation

Branch networks: One component of a strategy for rehabilitating the banking system would be to make an existing rural branch network profitable and a contributor to savings mobilization and deposit-led sustainable lending, as an alternative to partial liquidation of these networks. The branch network of UCB is one candidate, that of COOP is another, and the Credit Union members of USCU a third. One donor could undertake one or several regions, or donors might compete in transforming these highly administrative branches into effective mobilizers of savings.[18] A strategy would begin with a small subset of the total, would monitor it closely, and expand (or liquidate) it building upon knowledge. Steps would include 1) establishing appropriate accounting, management (procedures),

[18]It is possible that there is too little potential financial saving in the countryside to support either or especially both networks.

and remuneration systems; 2) training staff and establishing in-house training; 3) establishing proper transfer pricing within the parent institution so branches are rewarded both for profitable lending and for savings mobilization; and 4) attracting deposits through such measures as paying positive interest rates, offering withdrawal on demand, being responsive to customers, advertising services offered, and adding lotteries or other inducements to deposit.

Informal financial intermediaries: These exist and are widespread, but their distribution, assets and operations are poorly understood. They are so "informal" and spontaneous responses to felt needs that no common name exists for them in Uganda, nor do members realize they have "re-invented the wheel" and that other successful organizational or operational models exist. The operations of such intermediaries is generally short term and costly, and they are able to transform assets in neither space (lending where returns are highest) nor time (lending for longer maturities than that of deposits), both important roles of banks. The World Bank (1991c, p. 20) concludes that their potential for rapid and lasting increase in savings mobilization appears slim. This conclusion is based on general observations rather than specific study of Uganda; based on field interviews, both Saulniers and Adams draw a different conclusion.

A strategy to improve informal finance would be a facilitating one: policy reform to relax usury laws and provide for incremental rather than threshold inclusion in the formal sector supervised by the Central Bank. It would be complementary to assistance to bank branching, in that the existence of such deposit accounts would improve the efficiency of informal institutions, and with "transitional" ROSCAs might lead to two way finance flows with time, with the more efficient ROSCAs serving as risk-bearing lending organizations to the small number of entrepreneurs able to capitalize on an opportunity.

Improving markets

Money markets (securitization of short-term commercial or government paper by banks for resale and purchase among banks and the public according to the needs of asset and portfolio management) are currently restricted to a minor market in Treasury Bills. Interbank markets (overnight and short-notice loans from banks holding excess — unlent — reserves to those with momentary deficiencies of liquidity or of reserves at the Central Bank) do not yet exist. Their development is essential for the development of Ugandan financial institutions, as they provide efficient mechanisms for transferring liquidity from individuals and institutions seeking income to those needing short term liquid funds. A precondition for the growth of money markets is banks being of sufficient liquidity and reliability that bankers will lend such funds on the basis of trust between traders, and this trust may be premature. When developed, these markets provide means for the Central Bank to inject or withdraw liquidity from the financial system which is at once convenient and relatively anonymous (to prevent speculators unfairly anticipating the intentions of the monetary authorities). Finally, interest rates in these markets, particularly the overnight interbank market which tends to be fairly volatile, provide rapid and meaningful signals about the "tightness" of monetary policy and the opportunity cost of funds in the market. In short, they provide both the means and the indicators necessary to conduct open market operations.[19]

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[19] Although the forex market itself can be so used to inject or drain liquidity (it is currently the main potential instrument for open market operations available tot he BOU), this raises problems of using one instrument for two targets (internal and external stability). This is unsatisfactory in principle, and faces a distinct risk that the foreign exchange market might be subordinated

To develop these markets, Uganda needs 1) instruments to be traded, 2) a network of dealers, and 3) many transactions. The same argument applies for the foreign exchange and treasury bill markets (the latter of which exists already, the former is planned by USAID and the IMF, but possibly not in the form envisaged by the GOU), and so the argument for development is given here for any or all of these instruments. To be easily traded, instruments must be relatively uniform in quality in any one market, and from credit-worthy issuers. Bankers' acceptances, crop bills, commercial paper and government paper are all potential candidates. Dealers, who trade on their own accounts from their own inventory as well as trade for others, can be developed only over time, usually beginning as brokers with stocks for sale to the public or for purchase. The number of transactions must be large before pricing will become efficient through competition, and before the BOU can intervene on both the Buy and Sell sides of the transaction in order to manage liquidity. Considerable design issues, which are not insoluble, are not addressed in this strategic plan.

The GOU is moving ahead on the Treasury Bill market, with an auction having taken place in June 1990. Together with policy changes recommended by the World Bank which remove ceilings on holdings of GOU securities by financial institutions, this should serve several ends: as an important vehicle for development of money markets, a means of government finance, a tool for BOU monetary and financial management, a tool for the development of the auction market and its participants, and a prototype for other auction markets.

The foreign exchange market can serve as an important automatic safety valve for monetary policy, with the conversion of excess shilling asset holdings into foreign exchange and a concomitant decrease in the supply of broad money. Unfortunately, there is considerable resistance in the GOU to an auction format for foreign exchange, beyond "toleration" of the (legalized in 1990) *Kibanda* or black market. This resistance stems from a philosophical belief that the BOU is capable of allocating foreign exchange to the "best" users, and from experience with the foreign exchange auction system in 1981-84 which was abandoned due to a high volume of capital flight. In neither case was market symmetry (the GOU either as buyer and seller, according to the needs of reserve management) achieved, so there is a rationale (albeit misplaced) in resistance to a system based on GOU allocating foreign exchange obtained by it by other-than-market means. Volumes of market-traded foreign exchange are growing rapidly, but still low: a monthly volume of approximately $8 million each, sales and purchases, by April 1991, or (by extrapolation) around $125 million per year (see Table 6b). This represents variously one fourth of gross foreign exchange requirements for trade of $600 million in imports (Table 4), nearly two thirds of the $200 million in exports, or a small fraction of the trade in "invisibles" which pessimists believe it serves to finance. Administered foreign exchange flows continue to predominate. Donor funds are the most significant contributor to such administered foreign exchange, and as such are a significant impediment to transforming foreign exchange allocation to a market basis.

Other missing requirements for development of the foreign exchange market, including a futures market (or equivalently, the ability to deal in letters of credit or other financing), are discussed elsewhere.

An interbank market requires first, rehabilitation and recapitalization of the largest potential players in such a market, which is run on a basis of trust rather than security. Second, it requires a regime of market-oriented interest rates reflecting true scarcity rather than administered rates. Third,

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to domestic monetary policy rather than external trade requirements. A second instrument is needed.

it needs a deep and efficient market mechanism backed by (for instance) the BOU offering rapid posting of bank settlement accounts and appropriate rediscount facilities to avoid or to smooth out credit "squeezes". In some systems, the interbank rate is a "residual", the only free rate among many administered rates, and hence is exceedingly volatile (moving from two percent to 120 percent overnight, for instance) as flows of funds into or out of the financial market affect it first and hardest in the face of shocks. Other, complementary efforts to liberalize the more important interest rates and to deepen the financial sector in general are required to alleviate this. These are moving forward under the IBRD/IMF program.

Commodities markets are not addressed in this Annex, but are mentioned here because many of the problems are identical, particularly on an institutional level, and any activities undertaken to improve financial markets would have an impact on, and could provide complementary resources to, programs affecting commodity markets (local, regional and linked).

Agricultural commodity futures link the commodities and financial markets. This instrument may be ripe for introduction during the CPSP period to improve the marketing of standard commodities such as shelled maize, beans and sesame seed. Wide swings in rainfall patterns from season to season and volatile prices based on fluctuating supply provide a strong incentive for farmers in Uganda to hedge against declining prices. Processors and assemblers for export have a strong incentive to hedge against rising prices for the same reasons. A proposal currently under consideration by the NRM is the establishment of an agricultural bank to finance such crops; experience elsewhere has shown this to be ill advised because of its tendency to concentrate risk in already-weak institutions and because of the powerful incentives for political intervention created in institutions which ostensibly aid farmers. Commodity futures are market based, and provide one building block for a viable market for futures contracts in agricultural commodities, once the number of processors and assemblers grows to the point where they can support a market.

The elimination of barter trade appears to be a goal of the GOU, and is progressing. Economists differ on its importance, since although everyone agrees that it impedes the functioning of the market, a case can be made that it permits trade which would not otherwise occur at all with centrally-planned economies or other LDCs facing severe foreign exchange constraints. Nevertheless, the negative impact on Uganda has been chastening. This is particularly true of the "tax" placed on the Coffee marketing board and the liquidity it has drained from participating marketing firms and agencies which would otherwise provide their own finance for working capital. A.I.D. continues to support the development of market tools which replace even the perceived advantages of barter trade (such as futures markets in the foreign exchange market) to assure that a change in high-level policy makers does not foster its return.

Securities markets improve the allocation of capital within the economy by increasing its liquidity through the possibility of asset sale to others in a secondary market. Although the Kampala Stock Exchange was authorized in 1989, it is not operational. Steps taken toward the formation of an exchange include the establishment of the Uganda Securities Brokers and Dealers Association (1990) and the preparation of an Action Plan 1990-92 which calls for creation of an administrative office, educational and training programs for the potential securities industry, an information campaign for the general public, and then launching of operations. The office has been created, but the rest is moribund and shows little promise of development in the immediate future.

A functioning secondary market in securities would be of great value for both existing and potential investors. Moreover, it would assist in both the GOU's privatization effort and in the effort

of the Departed Asians' Property Custodian Board to sell businesses to local groups of individuals and to joint ventures between local and expatriate partners.[20] It also appears premature.

The housing market is also dysfunctional in Uganda. The principal player in the market is the Government, landlord to most civil servants, owner of "crown land", and trustee of the Departed Asians' Property Custodian Board. USAID has provided assistance in resolving land tenure issues with Makerere University. Though the GOU as part of civil service reform plans to move from granting free rent benefits to moving to the full monetization of benefits, this is on indefinite hold due to the current budget constraint.

Non-bank financial institutions are usually holders of long term capital, either equities or long-term debt, as they attempt to match maturities of their assets with those of their expected obligations. Only in 1990 have insurance companies been permitted to write insurance policies rather than serve as brokers for offshore companies, so their gradual entry into permissible markets might be expected. This entry will be slow, particularly for life insurance companies which must be having to come to terms with the actuarial implications of AIDS in Uganda. Further, laws implementing this reform and regulating companies in their investment policies must still be designed before NBFIs become major participants in the primary equities market, and a major lobby for (and participant in) the creation and deepening of a secondary market.

Interest Rates

Interest rate rationalization is a vital part of financial sector strategy, whether or not this involves reduction in rates. This strategy element must have two components, macroeconomic and microeconomic (institutional). The macroeconomic element consists in reducing the GOU budget deficit, in increasing financial depth to reduce the linkage between that deficit and inflation, and in improving Central Bank monetary management to improve its capability of monitoring and influencing monetary aggregates; these have been discussed above and elsewhere. The microeconomic element consists of reducing the intervention costs of Ugandan banks, mentioned above at nine percentage points greater than those of foreign banks in Uganda and 22 percentage points above (or ten times) OECD levels, with the costs of branches outside Kampala making significant contributions to overhead costs. This would be done through restructuring, recapitalization, redefinition of mission, and retraining, including the introduction of accounting and management systems and the introduction of incentives for profitable operation. The macroeconomic and microeconomic elements complement each other.

The A.I.D. Role in Financial Sector Strategy

In this section the programmatic elements which will form the core of a USAID strategy are identified. Besides this core, there are other topics in which USAID could complement the World Bank and other donors in achievement of the three strategic goals given for this Country Program Strategic Plan.

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[20] In the absence of such markets, since the majority of departed owners will probably choose to liquidate their holdings rather than returning to manage them, severe pressure will be put on both the forex market and the exchange rate.

Financial Deepening

The goal of A.I.D. strategy in deepening the financial sector would be to increase the amount and diversity of funding sources available for private sector development in Uganda. Financial "depth", however measured, is only an *indicator* of success of the strategy. Several activities would contribute to this goal:

1. Continue the current strategy, through the on-going redesign of existing programs to eliminate subsidized, directed credit in favor of institutional support or pure macro-economic support, to maintain this critical view in new projects or programs (as has been done in a proposed Women's Credit and the credit component of the Action Program for the Environment), and to encourage other donors to do likewise in support of the overall strategy.

2. Assist in policy formulation and related legislative design to liberalize the financial system, to reduce the role of parastatal banks, and to encourage cooperation between the informal and formal financial sectors.

3. Continue to develop — and increasingly contribute foreign exchange resources through — market (rather than administrative) interventions by the Central Bank in monetary and foreign exchange control: the foreign exchange auction (through which an increasing proportion of A.I.D.'s ODA can pass) and the treasury bill auction in particular, later followed by interbank and money markets.

Financial intermediation

Branch networks: One strategy for rehabilitating the banking system would be to make the existing branch network (either that of UCB or COOP) profitable and a contributor to savings mobilization and deposit-led sustainable lending; A.I.D. has successfully undertaken this in other countries (though its feasibility would require investigation). Another would be to liquidate it. This would require considerable research before being undertaken, if it is to work in the Ugandan context. There is considerable overlap between these sections. The appropriate steps have been given above; they would generally follow those undertaken under the BKK and KUPEDES programs of Indonesia which successfully transformed state-owned banks. Strategic steps might include:

4. Upon progress toward resolution of several important constraints being addressed by IBRD, undertake one or several programs to assist the sector to respond broadly and effectively to the new policy environment, and to assure that the beneficiaries include rural producers, micro-enterprises, and disadvantaged groups (particularly women). Further research is required to identify the combination of policy reform and technical assistance required, but they might include:

   a. Work within a recapitalized and redirected Cooperative Bank to develop local Credit and Savings Cooperative Societies as well as other sources of village equity and loan capital. IBRD and Sweden will be working at the central level; A.I.D. could profitably concentrate at the local (and motivational) level to develop new vehicles for local savings mobilization and local investment. These would probably not be Cooperatives, given the tainted reputation of the movement.

b. Institutional and policy reform of some or all of the branch network of UCB to turn them into "profit centers" rather than "deposit outposts", either as part of UCB rehabilitation (IBRD) or as preparation for spin-off into a private or joint-venture institution.

Informal credit should be investigated for delivering financial services to the poor and near-poor, to micro-enterprises and to the rural sector. This would include:

5. Investigation of the informal and "transitional" savings and credit associations identified (Saulniers, p. 3) as having strong potential for strengthening and developing into indigenous village savings institutions, with possible programmatic interventions to follow favorable results of investigation.

6. Policy reform to facilitate the environment for informal institutions, including trade credit.

7. Development of appropriate resource mobilization instruments which support groups within society denied access to family and household resources (for instance widows), without targeting such groups. A model based on Bangladesh Grameen Bank (institutional support to an indigenous NGO) or Indonesia BKK or KUPEDES/SIMPEDES (transformation of an existing parastatal) might be appropriate.

Other less central Activities which would contribute to the overall strategy of reducing the costs of financial intermediation exist. Cheque clearing would contribute to the IBRD strategy: USAID can provide assistance to BOU in "fixing the plumbing" of clearing arrangements within and between banks, which is necessary if the public is to accept financial instruments and participate in the development of interbank financial markets:

8. Assistance (perhaps from the Federal Reserve) in improving the domestic cheque clearing system within the Central Bank, or if that is impossible, within individual banks (particularly UCB). Both are possible.

9. Encouraging other bilateral donors with strong domestic Post Office Giro (money order) systems to rehabilitate and develop the GIRO system into an effective nationwide payments clearing system, to complement the activities above undertaken by A.I.D.. Although this strategy might be extended to the Post Office Savings System as recommended by IBRD (1991c) based on its clearly unrealized potential for facilitating rural savings mobilization, experience elsewhere in forced fiscal deficit financing by the Postal Savings System is not encouraging).

As the Treasury Bill market moves ahead with the recommended policy changes recommended by the World Bank which remove ceilings on holdings of GOU securities by financial institutions, USAID should watch it closely and be prepared to provide short-term technical assistance to overcome any "rough spots".

Securities markets: Such a market appears premature, as noted earlier. It can be expected that, especially given Ugandan interest in its creation, work will continue during the CPSP period, and that USAID will contribute expert technical assistance toward the informational and organizational aspects. It cannot be a major part of USAID strategy, given the earlier needs in development of other forms of auction markets in Uganda.

Concerning the housing market, it is premature for A.I.D.'s most useful tool in housing markets, the Housing Guarantee, to be employed, since the HG is based on access to American capital markets while Uganda qualifies for even less expensive IDA, grant and other subsidized funding. Nevertheless, the importance of the housing market in national development and in savings mobilization merits its inclusion in an A.I.D. strategy. The land tenure work with Makerere University is a start, and further programmatic interventions might be developed based on the outcome of that research. The GOU's current budget constraint implies that further steps will become important only toward the end of the CPSP period, if then.

It appears similarly premature for non-bank financial institutions to figure prominently in USAID's strategy. Development of their role will be too slow and too little "people-oriented" to qualify for A.I.D. assistance. Some assistance in drafting laws implementing this reform and regulating companies in their investment policies must still be designed before NBFIs can become major participants in the primary equities market. Research should continue under the CPSP, with the possibility of program design in the later years of the CPSP period.

Interest rate rationalization must be an important component of financial sector strategy. The strategic programs discussed intended to assist in restructuring, recapitalization, redefinition of mission, and retraining, including the introduction of accounting and management systems and the introduction of incentives for profitable operation, have been undertaken successfully by A.I.D. elsewhere, properly defined after study. It would be undertaken as part of branch rationalization, and the macroeconomic and microeconomic elements complement each other.

Policy reform is in some case an integral part of the programs discussed above. Other measures might include:

10. The policy changes associated with this transformation require a change in orientation for many policy-makers. They also require an understanding of information needs and use which are called for — and lacking — under the existing administrative system of financial and monetary supervision and management, are which are even more essential under a market-oriented system. USAID is well positioned to provide workshops and training seminars to sensitize and inform policy-makers and middle-level management to the aims and means of the new system.

11. In coordination with and as a supplement to IBRD and IMF technical assistance, contribute to the development of a Policy Management Information System within BOU to improve the timeliness of information concerning monetary and financial aggregates (magnitude; change, cause of change, range of relevant Central Bank interventions to affect), its flow throughout the BOU, and its use by policy makers.

In-depth discussion of programmatic interventions

A.I.D. can provide both policy support and technical assistance. They are most effective if related. One intervention is assistance to organizations (including offices, companies, and associations) to change their tasks or to improve their job performance, which can be considered *financial infrastructure*. Another is improvement of the *societal institutions* (markets, legal system, regulation, and so on) facilitating development through these institutions. While the two are not totally distinct, it is useful to address them separately. Most of these subjects have been addressed briefly above, this section delves into them more deeply.

Financial infrastructure

Several proposals merit consideration. They appear to approach similar problems from different directions, and with a slightly different "market niche"; no one precludes another. There is no reason why they should not be incorporated into the strategy separately or together. However, some are simpler than others to design and implement, while others have quite high risk (partially through the large unknown factor involved). None can be implemented without prior research.

In general, these interventions share a theme: expanding the benefits of the financial market on a sustainable basis to all of society, in particular a) savers in general, including those developing equity for small enterprises, b) the unfavored social groups who currently cannot claim preferential access to rationed credit and foreign exchange, and c) everyone outside the Kampala-Jinja area which is well covered by banking branches and which will presumably have better access as the World Bank's Financial Sector Adjustment proceeds. Special attention is given to the poor and the near-poor.

While A.I.D. supported the rehabilitation of many institutions as an aid to recovery of the Ugandan economy, it is now both possible and necessary to be more discriminating. Evidence suggests that the COOP Bank must be liquidated, despite Swedish (SIDA) willingness to attempt its rehabilitation. It is an empirical question whether any of the pieces resulting from this liquidation should be picked up by other organizations or projects.

Continuing in a negative sense, the winding up of other directed credit schemes introduced in the past by A.I.D. would contribute to the IBRD financial sector adjustment program and provide a clearer voice for USAID to argue with other donors to end or rationalize their programs. Ongoing lending could be allowed to decapitalize the specific programs over time with reflows going to other uses. Alternatively, these funds could be retained by the lending bank, but the USAID deposits be repackaged into money market instruments, tradeable (though probably not traded at first), with staggered maturities. Such instruments would facilitate the subsequent development of local money markets. Finally, A.I.D. could follow the example of IFAD with Grameen Bank and use the funds for general institutional support of the lending institutions judged to have merit: interest bearing market accounts which cross-subsidize the overall operations of the institution without distorting incentives to lend to any particular borrower (or for that borrower to repay).

While COOP will probably be liquidated, working with individual groups or associations of cooperative credit unions is another matter. USAID has experience in working with such groups *when they are genuine grass-roots organizations*, and could be prepared to prevent the good unions crashing when COOP bank is liquidated. Such a program would presumably be well received in Washington and would be implemented by CLUSA, alone or with other organizations.

UCB, and the wide network of unprofitable UCB branches, appears to be a candidate for rehabilitation on the model developed by A.I.D. in the Indonesian *BKK* and *KUPEDES* projects, both implemented in parastatal banks without diminishing competition with and within the private sector. UCB has 81 percent of the bank branches and employs 66 percent of the work force, but this supports only 47 percent of the system's assets, 50 percent of its loans, and 48 percent of its deposits. Its branches clearly drag down the institution and (due to UCB's share of assets) the sector as a whole. In this way it is very similar to Bank Rakyat Indonesia, within which *KUPEDES* and *SIMPEDES* (voluntary flexible savings scheme) were implemented. These successful schemes were implemented only after extensive experience in the "transitional" informal sector which USAID (and everyone else) currently lacks in Uganda.

Possibly, a partial spinoff of UCB branches would provide a laboratory, the results of which could be generalized either to a spinoff of further branches or possibly to the reorganization and rehabilitation of the parent institution. Savings mobilization should have the first priority in this reorganization. The rationale would be 1) the contribution of this network to UCB fixed costs without a commensurate contribution to revenues, 2) the overall crisis of UCB and the banking sector in general, 3) the potential shown for rural banking, and 4) the value of these branches as a laboratory to design different models of management, supervision and regulation in the banking community nation-wide. The introduction of appropriate transfer pricing between Branch and Treasury has been shown elsewhere to contribute significantly to the appreciation of the value of savings mobilization in a bank's corporate strategy.

Such project activities would be undertaken only after (or with) policy reform within the same program. Its role would be to determine and support ways and means to extend and expand retail savings mobilization and the provision of financial services outside the Kampala/Jinja region. Preconditions for such a program are macroeconomic stability, low (or at least stable) inflation, and policy stability ("no surprises"). Several or most UCB branches covered would be recapitalized (probably as part of the USAID program) after modifying operating policies and receiving appropriate training and new systems.[21] Appropriate procedural and policy changes would be implemented in the head office to apply to all branches, not only the ones receiving technical assistance. There is a synergy between program interventions and policy change at the national government level which could be "levered" with the information obtained.

A.I.D. has considerable relevant experience in the development of such informal institutions. In Senegal, the Kaolak project is intrinsically successful but cannot be made sustainable (nor can A.I.D. withdraw without causing collapse) because national law restricts it to lending and prohibits it from mobilizing savings.[22] A non-African example is the Indonesia *BKK* program working through province-supervised local "market banks", the policy reforms created by which have led to a nationwide, successful, sustainable *KUPEDES/SIMPEDES* program. If small-scale institutions provide savings as well as lend, depositors provide local prudential supervision of "their money" as a substitute for Central Bank supervision. Banking legislation must provide for a continuum of levels of BOU supervision based on capital adequacy and prudential ratios rather than a threshold. Such regulatory change would permit a USAID project component to complement policy change. Thus USAID can disagree with the IBRD (1991c) findings concerning appropriate measures, although their point is well taken that not enough is known to begin programmatic interventions at once. A research program is called for, with possible programmatic involvement in the second half of the CPSP period.

Another, still higher-risk, experimental approach would target financial services to the least advantaged (for instance, the poor and near-poor, those who cannot put up the 200 percent collateral required by "transitional" ROSCAs) in society. This would be primarily women and especially widows

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[21]Recapitalization would be largely non-inflationary development assistance since the local currency component would go into reserves rather than be spent. It would not require compensating sterilization of money supply by the BOU with the negative impact that has elsewhere in the economy.

[22]More correctly, any institution which both takes deposits and makes loans is considered a bank, and as such must meet capital and prudential requirements which are beyond the capability of small and especially rural associations. The appropriate balance between the needs of the Central Bank to supervise the banking system and those of small proto-institutions must be determined, but Banking legislation must permit a continuum rather than an abrupt threshold for prudential ratios and regulatory jurisdiction.

who are denied assets by the lineage of their late husbands. A potential model is that of Grameen Bank (and its copies elsewhere), based on group lending and consciousness raising among the borrowers. Grameen receives an important cross-subsidy from IFAD funds on deposit, but this is an institutional subsidy which does not affect individual loans or borrower incentives. It must be reiterated (without the need to stress) what has been said elsewhere, that such a program would be a general program, with the disadvantaged drawn through self-selection (that is, inability to borrow on better terms elsewhere), and would not be targeted at particular groups such as widows or AIDS orphans. The emphasis in such a program would be on integrating gender issues into the program, not on designing a project which is women specific.[23] While the Grameen model has elements which can be replicated only with utmost difficulty, some of its components might be appropriate for a program to provide resources and self-determination for the rural poor and near-poor. Once again, this requires careful study and appropriate policy changes in the area of bank regulation and supervision.

The Bank of Uganda is still administrative and interventionist, imposing extra costs for users while succeeding in neither adequate supervision nor implementation of monetary and financial policy. While the IBRD and IMF (with some ODA technical assistance) are the primary sources of assistance to BOU, one of BOU's advisors noted that the Central Bank has received such assistance since its inception without notable result in the policy and supervisory realm. It is likely that new upper level management of BOU, together with a renewed sense of purpose on the part of the IMF and IBRD, has changed this. At middle levels of management this is less evident. As a result, there may be an important role for USAID in several niches. One such niche is in providing a policy-oriented management information system (MIS). Currently, BOU has no timely view of monetary and financial aggregates, how they are changing, what causes the change, and what interventions can affect these aggregates. USAID-provided training and technical assistance could improve this situation.

Possible USAID assistance to BOU in improving the cheque-clearing mechanism has already been mentioned, with its potential impact on production, trade and financial deepening. The role of USAID in promoting the auction system is also discussed below.

Non-bank financial institutions are not discussed as institutions and would not be the focus of A.I.D. programmatic interventions, despite their importance in financial deepening, in development of securities (debt and equity) markets, and as responsible fiduciary investors in productive enterprises. Despite some severe problems (such as the unknowable actuarial risk facing life, health and pension schemes confronted with the AIDS epidemic) their role must be developed in parallel with the development of financial markets.

Societal institutions are the subject of "the new institutional economics", which relates the incentive structure imposed on actors in the market and in organizations by the rules of that organization, which may be inappropriate for the accomplishment of the goals of the organization itself. The market responsiveness of the trade and financial systems could be improved by particular interventions by A.I.D. in liberalization, in the auction system, and in regulatory and legal reform.

USAID interventions could improve the liberalization of markets, both through conditionality of assistance and through direct action. One such direct action would be the removal of USAID's own "barnacles" to market operation, as signalled by Ugandan private sector participants who have been

[23]Not only do "women's projects" tend to marginalize gender issues, they have in many instances significantly less long term impact than inclusion of gender considerations within a mainstream activity (Hubbs, p. 2).

unable to get subsidized foreign exchange through USAID programs. On a more pro-active stance, steps moving toward increasing the volume of resources going though the market (and auction) mechanism are needed, as discussed below. Moreover, there is an important informative role, finding stakeholders in the policy process and addressing their concerns about liberalization: for instance, correcting misinformation about the role of FEBs in capital flight.

Concerning the problem that early markets are "spot" in nature, Stamp (p. iv-v) notes, "the establishment of an auction system would provide a basis for improved budgeting so that supplies are

include (among others): contracts, cheque usage, normal commercial transactions, taxation, customs and excise, investment incentives, land tenure, accounting, audit, financial disclosure, fiduciary responsibilities of corporate and bank directors and officers, the rights of minority shareholders, and procedures and operations of the Departed Asians' Property Custodian Board. The legal and regulatory framework needs to achieve the objectives of fairness (real and perceived), transparency, and predictability in order to facilitate growth of a vigorous private sector.

Possible USAID interventions in regulatory and legal reform have been discussed in passing concerning the Bank of Uganda and the development of "transitional" informal sector institutions. The legal and regulatory environment is essential for the development of property rights and a competitive private sector, for developing the fiduciary role of NBFIs as contributors to growth and participant, in deep markets. This list does not specify phasing or steps to be taken, some of which will emerge from assistance currently being given in land tenure research. Assistance to market development, particularly in financial markets, must include a component which identifies elements of the legal, supervisory and regulatory regime which impede market development. From this research would follow assistance in the design of appropriate policies and implementing legislation.

Strategic risk to A.I.D.

A strategy of market development and of investment based on monetary deepening faces two important risks, which are related to the evolution of the monetary and fiscal regime, respectively. While nominal interest rates remain high because of high rates of inflation, and particularly while these interest rates are not yet market-determined, rapid changes in monthly inflation rates can lead to huge variations in real rates of inflation. Market-based interest rates in a system where most rates are administratively determined are far more volatile than justified by the underlying economic phenomena, as can be exchange rates in a system still dominated by administrative allocation of foreign exchange, particularly where the Government claims first priority on credit or foreign exchange.

The experience with auctioned forex reserves in 1981-84 shows that he who opens wide the door to attract visitors and show residents they may both return and leave freely, should ascertain that his house is not on fire and that it remains so; it is not the fault of the system that both visitors and residents fled *en masse*. Similarly, the low revenue collection of the GOU (six percent of GDP) poses risks for the credit markets where the GOU will tend to crowd out other borrowers, as well as for its impact on inflation as long as the financial system remains shallow. There is a further risk that policy-makers who do not understand the principles of market economics will revert to administrative allocation of credit or to foreign exchange when fiscal or monetary pressures are upon them; indeed, until recently the IMF was a major force in requiring credit allocation.

Both continued fiscal and monetary stability and improvement are called for if this strategy is to have a chance of success.

Training and information

Studies, action programs, and design of the Financial Services Act to provide overall legal and regulatory framework to foster and guide the development of financial markets, is planned by IBRD, which will retain overall leadership in this sector. USAID would be an appropriate sponsor of many of these, and has a comparative advantage over some donors in its permanent presence in Kampala,

which gives it the ability for fast and flexible response to perceived needs. In particular, research to identify stakeholders in potential reforms, workshops and seminars to sensitize senior policy makers to the rationale, the costs and benefits of particular reforms, and workshops to train mid-level policy makers in the implementation of such reforms are appropriate for A.I.D. among other donors.

Information requirements can be fulfilled through improvement of BOU recording and through independent research. This would include the Policy Analysis and Capacity Building Project and its follow-on, and could include TDYs by experienced staff from AID/W, appropriate buy-ins under Centrally Funded projects like Implementing Policy Change or Consulting Assistance in Economic Reform, and use of relevant IQC mechanisms. PD&S funds might be required for intermediate levels of research on some components. Care must be taken to maintain the necessary continuity of knowledge and assistance.

ANNEX C-6

POPULATION, HEALTH AND HIV-PREVENTION

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Annex C-6
Population, Health and HIV-Prevention

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POPULATION, HEALTH AND HIV-PREVENTION

EXECUTIVE SUMMARY

Any discussion of the health sector in Uganda in the 1990s is dominated by AIDS. Although other health issues — particularly population and maternal/child health and child survival — remain as critically important, they are dwarfed by the magnitude and immediacy of an estimated 1.3 million to 1.5 million people in Uganda carrying the AIDS virus.

Uganda confronts twin specters looking ahead to the five years covered in the Country Program Strategic Plan. The first is an epidemic with likely mortality rates comparable to those of its sleeping sickness epidemic in the early years of this century. That epidemic killed almost 50 percent of the population. The second specter is a child dependency ratio unprecedented in history as AIDS orphans are added to the numbers orphaned during civil strife in the 1980s.

In the base case scenario, there will be 4 million people infected with HIV (and 870,000 with AIDS) by the year 2010. Death rates will be highest among children under five and young adults.

The social and economic implications of these predictions go well beyond the health sector. AIDS can be expected also to impact the country's economy, work force, social fabric and natural resources.

The Ugandan health system was once considered among the best in Africa. Two decades of civil war have decimated that system, although the infrastructure remains. A rapidly growing population further stresses the health system. In a survey of 25 countries in Africa, Asia and Latin America, Uganda emerged with the unenviable distinction of having both the highest actual fertility and the largest desired family (1989 DHS). Ugandan women have an average of 7.4 children. At the estimated 3 percent growth rate, the population will double in 23 years.

The health system is being overwhelmed. There is no single way to approach a crisis of this magnitude. Because there is no known prescription for the AIDS epidemic and its ramifications, the most effective strategy must be to try the maximum number of approaches.

USAID proposes to expand our assistance to Uganda in the health sector with an emphasis on AIDS.

INTRODUCTION/OVERVIEW OF THE HEALTH CARE SYSTEM IN UGANDA

The purpose of the Annex is three-fold: 1) to describe the range of existing health services and facilities in Uganda, emphasizing AIDS, population and Maternal/Child Health; 2) to analyze the options for continued USAID-funded health care in Uganda, with an eye toward the most effective way to facilitate AIDS prevention, increased family planning and better health care for women and children; 3) to propose a strategy for USAID's role in health in the next five years.

The Ugandan medical system was once considered among the best in Africa. Doctors were trained locally at one of the first and finest medical schools in Africa. The government devoted at least 4 percent of each year's national recurrent budget to health care, reaching a peak of 9 percent in 1962. A network of almost 800 government health facilities served rural and urban areas. Several endemic and potentially epidemic diseases, including trypanosomiasis and onchocerciasis, had been controlled.

During the past 20 years of war and violence, the system has deteriorated to the point that — although the infrastructure remains — hospitals and clinics are so poorly equipped that even the most basic services are unavailable. Common drugs are out of stock, water and electricity are often cut off, and rubber gloves and disposable syringes are unavailable. Both financial resources and medical personnel are concentrated in urban hospitals, leaving the estimated 90 percent of Ugandans who live in rural areas under-served and primary health care grossly under-funded. Uganda had 735 physicians in 1988, a ratio of one doctor to 20,000 people. About 600 of these were in urban areas. Makerere University Medical School now is graduating approximately 75 doctors per year, but about half leave the country to practice. A new medical school in Mbarara, specializing in rural medicine, hopes to increase the number of Ugandan doctors in rural areas.

The already overwhelmed medical system also faces a rapidly expanding population. An estimated 3 percent annual growth rate means the population would double in just under 30 years, from 16 million in 1988 to 32 million by 2018. (However, a provisional January, 1991, census showed a population of 16.6 million, which would indicate the growth rate has slowed to about 2.5 percent. This slowed rate has been attributed by some to political violence, emigration and a higher mortality rate largely caused by AIDS.) There are other indications that population growth is not declining.

In theory, Uganda has socialized medicine. In practice, however,there is no government funding for free medical care. A government task force was formed in 1990 to explore other means of financing health care. Given its limited finances, the Government of Uganda has taken an almost totally curative approach to medical care. Although its policy priority is preventative care, the high demand for medical care creates a political restraint on implementing this policy. With a government health budget of only $2 per capita, 60 percent of all care is provided by non-governmental organizations. With the lack of public health measures, medical facilities and supplies, it comes as no surprise that Ugandans are faced with increasing rates of almost everything: malaria, tuberculosis, sleeping sickness, river blindness, sexually transmitted diseases and AIDS.

The first Ugandan was diagnosed with AIDS in 1982. This epidemic now poses a critical threat to a health care situation already in desperately poor condition.

The AIDS epidemic in Uganda rivals the worst epidemic experienced by any nation at any time. The mortality rates may be comparable to those of Uganda's sleeping sickness epidemic early in this

century, the smallpox and measles epidemics among the Central American Indians three centuries ago, or the bubonic plague in Europe six centuries ago. The World Health Organization estimates that there are already over 6.5 million people infected with HIV worldwide. More than half of these are in Africa. Uganda has one of the highest rates of HIV infection in the world (or, more accurately, it acknowledges one of the highest rates in the world). Current estimates are that between 1.3 and 1.5 million Ugandans are already infected with HIV. The epidemic affects all sectors of the population. And it may well leave in its wake an orphan ratio unprecedented in history.

The current USAID strategy in Uganda has been to identify areas in which there seems to be an unattended need. It then has undertaken projects to address that need. For example, family planning services were being offered on only a limited scale until USAID's involvement in 1984. The same is true of USAID activities to control diarrheal diseases, begun in 1984 and continuing. Today, the greatest need lies in HIV/AIDS, Maternal/Child Health, and family planning.

Health and population — with an emphasis on HIV/AIDS and family health — must be central to the USAID/Uganda CPSP.

A RANGE OF HEALTH SERVICES IN UGANDA IN THE AREAS OF HIV/AIDS, POPULATION AND MATERNAL/CHILD HEALTH

A wide range of health sector programs exist in Uganda today. To give a picture of the extent and diversity of programs, this section describes some of the major health initiatives, concentrating on the areas of A) AIDS, B) Maternal/Child Health and C) Population. For each area it gives: the policies and major programs of the Government of Uganda; donor-funded assistance; and a description of particularly important or representative projects.

A. AIDS

1. Background

The state of knowledge about HIV/AIDS is remarkable for a disease which was identified only 10 years ago. However, there are crucial gaps in our knowledge of HIV/AIDS. In the Ugandan context, accurate and reliable estimates of HIV prevalence and annual incidence are not available in a consistent manner. Moreover, it is not yet known what programs and interventions are effective to prevent further HIV transmission. What we do know is that the number of Ugandans who have the disease is growing. Of 8 million Ugandans over the age of 15, 1.3 to 1.5 million are now believed to be carrying the virus. In Uganda, HIV is spread primarily though heterosexual intercourse and from mother to child during pregnancy and birth.

Among major factors contributing to the spread of AIDS in Uganda are untreated sexually transmitted diseases, the financial insecurity of women, and polygynous sexual patterns based in traditional social and cultural values.

The AIM base case sees four million infected people by the year 2010.[1] Hardest hit would be children under five and the middle-aged (35-49 years old). Young adult deaths will be 350,000 annually by 2010. Child mortality will increase from 40,000 to 70,000 a year. And infant mortality, currently 101 per 1,000, will remain at 100 per thousand rather than drop to around 80 as would be expected given other improvements underway in MCH. The number of orphans will grow to 2.8 million by 2010. (Projections based on the AIDS Impact Model.)

The social and economic implications of these predictions on all sectors of society are potentially catastrophic. AIDS will have an impact on the economy, on the number of skilled workers and professionals and on the structure of the family.

[1]In the worst case scenario, which assumes that there will be no change in sexual behavior and no efforts to curb the epidemic, there will be more than 7 million infected people by 2010.

2. Government of Uganda

a. Policy

In light of the wide ranging impacts of AIDS on Ugandan society, the Government of Uganda is taking a new multi-sectoral approach to AIDS, involving NGOs, a number of government ministries and various sectors of the society.

b. Uganda AIDS Commission

The new Uganda AIDS Commission has been established in the office of the President. This Commission will oversee all AIDS related activities. The functions of the Commission will be carried out by a full-time Secretariat which will coordinate and oversee the numerous AIDS initiatives of international donors, and local government, private, and religious groups in Uganda. USAID, the major project donor, has committed $728,582 between July 1, 1991 and December 31, 1992. These funds will be used primarily to support staff salaries. The United Nations Development Program (UNDP) has committed $614,000. Other donors involved in the project include WHO, UNFPA, World Bank and the Government of Uganda. They will provide logistical support and consultant services to establish and maintain the Secretariat.

The Uganda AIDS Commission Secretariat will collaborate in the establishment of AIDS control programs in the Ministries of Defense, Education, Information and Broadcasting, Local Government, Planning and Economic Development, and Relief and Social Rehabilitation. The Secretariat will also provide guidance and monitoring to the AIDS Control Programme of the Ministry of Health.

c. AIDS Control Programme, Ministry of Health

The AIDS Control Programme (ACP), begun in 1987, continues to set up and coordinate district and NGO AIDS projects and health education, testing, blood screening, research and patient care and blood transfusion services. Among its goals is strengthening the program to control sexually transmitted diseases (STDs), a major risk factor for HIV infection. It is jointly financed by the government, USAID, World Health Organization (WHO) and other donors.

3. Donor-Funded Assistance

There are numerous international and local NGOs working on large and small scale projects in the AIDS field in Uganda. Among the leading donors in the field are USAID and WHO.

In January, 1991, USAID signed a three year, $12 million grant agreement with the Experiment in International Living, which will serve as an "umbrella agency" to channel funds to The AIDS Support Organization (TASO), The AIDS Information Center (AIC), the Federation of Uganda Employers, the Uganda AIDS Commission Secretariat, and AIDS prevention activities in the National Resistance Army. Other activities supported by this grant include AIDS peer education projects in the private sector, the prevention of other sexually transmitted diseases, research, and assistance to orphans.

In addition, through the mechanism of local currency grants funded by the sale of PL 480 commodities, approximately $450,000 was granted in FY 91 by USAID to agencies active in AIDS

prevention and control projects, including the AIDS Control Programme, the Federation of Uganda Employers, and the Peer Education Project of the Experiment in International Living. In FY 1992, approximately $350,000 in local currency funds will be granted to the Joint Clinical Research Centre and the AIDS Control Programme.

The World Health Organization has committed approximately $31 million over a four year period (1990 to 1994) to the government's AIDS Control Program. These funds include contributions from various nations and groups.

Other agencies involved in AIDS projects in Uganda include the United Nations, CARE, ODA, Action Aid, World Vision, and the Foundation for AIDS Support International.

4. Representative Projects

a. AIDS Treatment and Care

The AIDS Support Organization (TASO) is an Ugandan non-governmental organization started in 1987. It has four branches in Kampala, Masaka, Mbarara and Tororo. TASO provides counseling, some food and drugs, hospice and other support services for people with AIDS and HIV infection. A prevention-oriented community outreach program is in the planning stages. Through EIL, USAID has committed $12.5 million to AIDS programs in Uganda in FY91. TASO is also supported by other international donors. Action Aid has contributed approximately 50,000 pounds annually since 1987 for management, including planning and budgeting. CARE, with $80,000 in AmFar funds, has helped establish a TASO office in Jinja.

b. Home Businesses for People with AIDS

The Nsambya Hospital AIDS Family Fund Project, begun in 1987, establishes home businesses for families in which both parents are HIV positive. It was created in response to the high death rate from malnutrition of young children with HIV-positive parents. The fund provides training plus sewing machines, tools, paraffin or other materials necessary to begin a business. Existing home businesses include handicrafts, poultry, welding, bicycle repair, tailoring and firewood. The parents agree to deposit 90 percent of profits from the business in a family savings account to benefit their children. Nsambya continues to subsidize their projects, and their living expenses, as long as they can show their business is active. The businesses are home-based because most of these parents are too ill to work outside the home. The project is operated under the auspices of the Nsambya Hospital AIDS Clinic in Kampala. It is funded by the Catholic Church.

c. AIDS Testing and Counseling

The AIDS Information Center (AIC) was established in Kampala in February, 1990, with major funding from USAID. It is the first anonymous HIV testing and counseling center in sub-Saharan Africa. As of June 30, 1991, a total 23,458 clients have come to the center for counseling; 17,640 have been tested for HIV; 13,343 have returned for test results and counseling; and 1,698 have registered for a follow-up support group. USAID has committed $2.7 million between July 1, 1991 and June 30, 1993 to this project.

d. AIDS Prevention and Training

United Nations Fund for Population Activities (UNFPA) has a two-year, $300,000 AIDS Prevention and Control Project, as a component of its Maternal Child Health/Family Planning program. The project concentrates on training health workers in AIDS in 10 districts: Arua, Moyo, Bushenyi, Hoima, Mubende, Mokono, Iganga, Tororo, Kampala, and Mpigi. The project emphasizes information, education and communication.

An AIDS education trainer is on the staff of World Vision, an American-based NGO which emphasizes training in its district and sub-county based projects.

e. AIDS Training Materials

AIDS training materials have been produced by United Nations Development Program through a $632,000 project.

B. MATERNAL/CHILD HEALTH AND CHILD SURVIVAL

1. Background

Uganda's health services have focused on the needs of women and children since Mwana Mugimu (well child) clinics were established near Kampala in the 1950s. Although these clinics deteriorated with the rest of the health system after 1971, Maternal/Child Health services are a major component of the national health care system. They cover birthing with trained attendants, pre and post-natal care, young child clinics, growth records and school health programs.

These programs are principally implemented through government health services, although churches and private donor organizations play a major role. Even if government health care units were fully functional, they would cover only 30 percent of the population. About 23 percent of the population lives within 5 kilometers of a health facility. The quality and quantity of maternal/child health services are closely tied to the quality and quantity of health services in general.

The leading killers of children in Uganda are malaria, measles, diarrhea and acute respiratory infections. These four diseases cause about 75 percent of all deaths in children under 5 years of age. In the very near future AIDS is expected to figure prominently on the list. In Kampala, at least 25 percent of pediatric hospitalizations now are related to HIV/AIDS.

Life expectancy and mortality rates in Uganda, based on Ministry of Health estimates, are: Infant morality, 101 per 1,000 live births (in comparison, the average infant mortality rate for low-income countries

Infant and Child mortality for boys and girls from 1978 - 1988. (From Demograph p.58)

	Infant Mortality Rate per 1,000 Births	Under 5 Mortality Rate per 1,000 Births
Boys	111.0	197.5
Girls	101.7	178.9

is 76); child mortality (children ages 1 to 5), 88 per 1,000; maternal mortality rate, 2.65 per 1,000; crude death rate, 25 per 1,000; life expectancy at birth, approximately 50 years.

The 1989 Uganda Demographic Health Survey (DHS) showed diarrhea was among the country's most serious preventable health threats. Diarrhea was the second leading cause of death among hospital inpatients in 1987, accounting for 11 percent of all deaths. Oral Rehydration Therapy (ORT) is an inexpensive and effective method for controlling and immediately reversing the dehydration that often leads to death, especially in children who are undernourished or suffering from other health problems. Awareness of ORT is now fairly high (83.6% urban, 43.9% rural), but actual usage remains low. The DHS survey showed that while 50 percent of mothers knew of Oral Rehydration Salts (ORS), only 15 percent of children with diarrhea had received them. In response to the low usage, especially in rural areas, efforts are underway to distribute widely a locally produced ORS and to use traditional healers to educate mothers in its use.

In Uganda, projects to improve the health of women and children have focused on greater availability of general health services, improvement of diarrheal control and improved immunization, promotion of child spacing, breast feeding and AIDS prevention.

The health and well-being of women cannot be separated from their status in society. Women have a subordinate economic, legal and social position in Ugandan society. This is especially true for rural women. Without independent means of income, women do not have the power to make independent decisions about contraception, health services, family size or care of their children.

2. Government of Uganda

a. Policy

An absence of clear policy in the Health Sector has led the government to begin drafting a National Health Development Plan. The plan will establish comprehensive strategies to be used in developing and rehabilitating health services. The stated priority is primary and preventative health care, particularly in areas were there are no affordable NGO or private health services. There is a demand for both fee-charging NGO units and free government clinics, which tend to serve different populations. Uganda has a policy for free health services in government health units. The government alone cannot provide these services. With the assistance of donor agencies, it is working to facilitate the services. The provision of health services is considered a joint responsibility of the government, NGOs, community health workers and private practitioners.

b. Existing health units

As of 1989, Uganda health services consisted of 81 hospitals, 48 of which were government funded, 122 health centers and 870 other types of units. Most are in a poor state of repair and many patients must bring their own mattresses and linen on admission to a hospital. There are 145 non-governmental hospitals and health facilities, most of which are attached to religious missions. The services offered in health units, especially those run by the government, are often inadequate. However, the majority of Ugandans still turn to them for curative services, even though they may have sought treatment outside the formal health system first.

Rehabilitation of 10 district hospitals, funded by UNDP, was carried out by the government and completed in 1989. The government rehabilitated 100 health centers and maternity units, with UNICEF assistance. Rehabilitation of Mulago Hospital and primary health care facilities is ongoing, with the assistance of several NGOs. The creation of new political districts in July, 1991, has increased pressure to build additional district hospitals.

Based on the 1989 statistics, the ratio of people to health services are: 200,000 people per hospital; 15,000 people per health unit; 23,000 people per doctor; 2,332 people per nurse; 800 people per health unit bed.

c. **Expanded Program for Immunization**

The Uganda National Expanded Program for Immunization (EPI) started in 1984. Immunization coverage then was estimated at 3 percent. Coverage is now is the area of 40 percent. By comparison, the current worldwide average for developing countries is 60 percent and the international goal is 80 percent. The EPI program calls for T.B. at birth, measles at 9 months, four doses of polio and three doses each of diphtheria, whooping cough and tetanus between 6 and 14 weeks. The current project is designed to reduce the dropout rate of participants, motivate health workers, and add supervision and provide health education training. This five-year project is estimated to cost approximately $27 million, funded with assistance from UNICEF.

d. **Essential Drugs**

The Essential Drugs Program provides quarterly shipments of a kit with essential medications to government and NGO health units, with assistance from DANIDA. During 1990-91, the program provided drugs to 971 rural health units and hospitals. A total of 12,000 kits were distributed during the year. However, DANIDA funding may stop after 1991 unless the government creates a national drugs policy and authority, and reorganizes the Central Medical Stores.

e. **Diarrheal Diseases**

Diarrheal disease control has been a priority in Uganda since 1984 when the Ministry of Health (MOH) began working on diarrheal projects in cooperation with UNICEF and USAID. The Control of Diarrheal Diseases (CDD) Project is implemented by the Government of Uganda MOH. Initial activities focused on supplying oral rehydration salts. Delayed shipments and irregular supplies led to an effort in 1987-88 to support a local pharmaceutical company to begin manufacturing ORS in 1991. The local company, Medipharm, will produce 1.7 million sachets by the end of 1991. ,Of these, 800,000 will go to the Ministry of Health for distribution. The remaining 900,000 will be sold in the private sector and to a donor agency for inclusion in essential drug supply kits. The Health Inspectorate promotes the use of ORS while teaching mothers correct usage and identifying high-risk households.

The MOH project also includes funding to protect community springs in rural areas and construct pit latrines. The current project builds on six years (and $3.6 million) of collaborative efforts among the government, USAID and UNICEF. The current three-year project is funded by a grant from USAID to UNICEF.

f. Nutrition

Uganda has long taken pride in being able to feed its people. A blow to that pride was delivered when the DHS found that overall 45 percent of the children were stunted or chronically undernourished. Surveys in the North-East and Mbarara areas found males more significantly stunted than females. (UNICEF DHS p.42). In response, the Food and Nutrition Council, under the Ministry of Agriculture, is developing a food and nutrition policy for Uganda.

In areas prone to drought and hit hardest by war and AIDS, nutrition is a central component of the government's Emergency Preparedness for Children in Difficult Circumstances program. The project goal is to prevent deaths from famine and related emergencies in children who are orphaned or otherwise at risk.

g. Training program for rural physicians

A medical school begun in 1990 at the Mbarara Institute of Science and Technology is training medical students to become specialists in rural medicine. The program was started by Dr. Frederick I.S. Kayanja to reverse a disturbing trend: one half of Ugandan-trained doctors leave the country to practice elsewhere, while rural Uganda remains critically short of physicians. As part of their schooling, the medical students rehabilitate health centers in rural areas where they are later expected to serve. About 90 students have enrolled in the first two years of a four-year curriculum based on community health, preventive medicine, NGO support and local cures for common diseases. The faculty includes Ugandan, Cuban, Indian and Palestinian instructors. Three Italians will join the faculty this year.

Once the students graduate, the challenge will be to provide adequate income to keep even the most altruistic doctors practicing in rural clinics and hospitals. In the 1991-92 Background to the Budget, the GOU acknowledges that no donor has supported this program (although the United States Information Service will provide texts, reference books and journal subscriptions). Also, construction flaws have come to light in the institutes already-inadequate physical plant. Nevertheless, the new school is attracting the best students in entering classes for medical education.

h. New health facilities

The government health policy requires every district to have a government hospital. Six existing districts do not have hospitals and still others will be required in the new districts created by the government in July, 1991. Proposed are construction of two new hospitals in the Rakai district, the area hardest hit by AIDS, and upgrading of five health centers to 100-bed hospitals in Kamuli, Kasese, Kabale, Moyo and Kotido districts. One 104-bed hospital in Rakai is being funded by the World Bank through the First Health program. The other projects are as yet unfunded.

3. Donor-Funded Assistance

Donors contribute to many projects in the field of maternal/child health in Uganda. Among the primary contributors in this area are UNICEF, USAID and the World Bank.

The World Bank is planning to begin a $63.5 million program to assist the government of Uganda with rehabilitation of health services.

With a 1991 health sector budget of $7.6 million, UNICEF- assisted projects include CDD, EPI, in-service training for health personnel, and MOH health information and education services. The proposed budget for 1992 is $6.8 million.

USAID has a 1991 health sector budget of which includes projects affecting women and children such as ORS, expanded family health services, control of diarrheal diseases, family health initiatives and child survival.

Among other agencies involved in projects in the maternal child health field are the World Health Organization, World Vision, DANIDA, Health Volunteers Overseas, the British Red Cross and Italian Health Cooperation.

4. Representative Projects

a. Child Survival

A child survival project in the remote western district of Bundibugyo is being funded by a USAID grant to World Vision. Other donors have similar projects.

b. Traditional Healers

Traditional healers are found in every district and some estimates place their numbers as high as 60,000 nationwide. A 1985 GOU survey showed 35 percent of people surveyed obtained treatment from non-professional sources during their last illness. Traditional healers have the potential to educate their clients about critical health issues such as ORS, AIDS and immunizations. A study on the role of traditional healers in promoting the use of ORS to combat diarrheal disease is being funded by a USAID grant to PRITECH.

c. Child Health and Development

The Child Health and Development Center is located at Mulago Hospital. The focus is on research, training and community mobilization. The project concentrates on malaria, acute respiratory infections and malnutrition. UNICEF has committed $335,500 for the project in 1992. Among other donors are USAID, Finnida and CARE.

d. Orthopedics

Uganda still suffers from its history of civil war. Assisting the war-wounded and disabled children, USAID funds a $2.4 million orthopedic project to provide surgery and prosthetic devices. Services are provided though Health Volunteers Overseas and the British Red Cross.

e. The World Bank First Health Project

The World Bank plans to begin a comprehensive program to include rehabilitation and construction of health facilities, community-based distribution of contraceptives and technical support to the Ministry of Health. To be rehabilitated are six health centers in Kampala and four health centers each in the districts of Masindi, Lira, Tororo, Iganga, Mukono and Mubende. The program also includes construction of a 104-bed hospital in Rakai.

f. Uganda Community Based Health Care Association

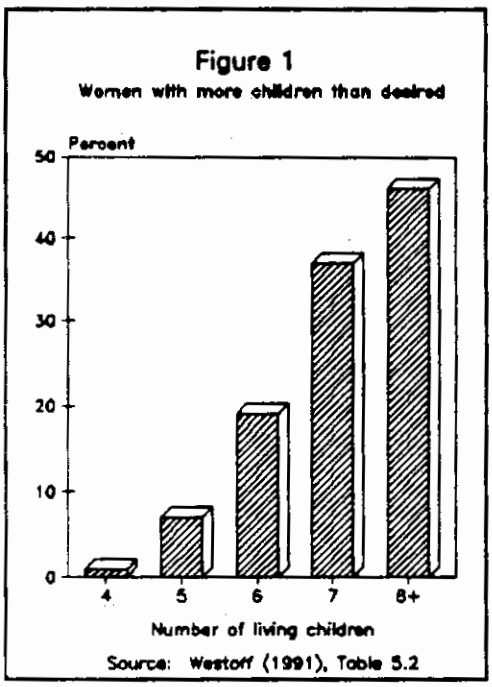
This non-governmental association includes representatives from the Ministry of Health, NGOs and UNICEF. It serves as a clearing house for new ideas and strategies and is a liaison between government and NGOs.

C. POPULATION

1. Background

The population growth rate of approximately 3 percent impacts every attempt to improve health conditions in Uganda. While 75 percent of women have heard of modern contraceptives, only 7 percent had ever used one (DHS). Only 5 percent of married women use any contraceptive method and only half of these use a modern method.

In Uganda, a woman has an average of 7.4 children, compared to an Africa-wide average of 6.3. Sixty percent of women deliver their first child before the age of 20. The national birth rate of 54 per 1,000 population is among the highest in the world. Only nine percent of married women in Uganda said they had more children than they wanted, and the majority of these had seven or more surviving children (Figure 1.)



Family planning services in Uganda were initiated in 1957 by a non-governmental, non-profit agency now called the Family Planning Association of Uganda (FPAU). FPAU provides most of the family planning services throughout the country and currently operates in about 90 government and private clinics.

Government involvement in family planning began in the 1980s. Family planning services are implemented through the MCH/FP division of the MOH. Family planning services are also provided by missionary clinics, NGO facilities and by private practitioners. They are funded by government and donor projects. Despite nearly a decade of effort, the level of contraceptive use remains low. Constraints to contraceptive use include opposition of religious groups and lack of appropriate education materials.

2. Government of Uganda

a. Policy

The government of Uganda is in the process of developing a National Population Policy in collaboration with the United Nations for Population Activities (UNFPA). The policy is part of the Country Population Program, overseen by the Ministry of Planning and Economic Development.

b. Uganda National Population Program

This five-year, $17 million MOH program includes national and district projects. It is funded by the UNFPA. The program includes development of the national population policy. It establishes district family planning, maternal child health and nutrition projects. It also integrates population education in the schools, media, workplace and women's community action groups and it undertakes health and demographic surveys. Finally,it oversees the Safe Motherhood Initiative project. (See representative projects below for further project description.)

c. The Expanded Family Health Services Project

The broad range of services in this six-year project includes development of a population policy, procurement and distribution of contraceptives to MOH and NGOs, operations research, training, IEC and social marketing of contraceptives. It is funded through a bilateral agreement between USAID and MOH. All components are implemented by the MOH, except the social marketing of contraceptives, which is implemented by USAID. (See representative projects below for description of social marketing).

3. Donor-Funded Assistance

Major donors in the area of family planning are UNFPA and USAID.

UNFPA funds the Government of Uganda's $17 million National Population Program described in Section 2 above.

USAID has committed $12 million for family planning services in a bilateral agreement with the government of Uganda for the six-year Expanded Family Health Services Project.

Among other agencies involved in the field of population are UNESCO, WHO, ODA, Action for Development and the International Planned Parenthood Federation.

4. Representative Projects

a. Population Education

The Family Planning Association of Uganda (FPAU) is integrating population education in schools, agriculture programs, mass media, organized labor and women's groups through five projects totaling approximately $5 million. In implementing the projects, FPAU is working with the International Labor Organization, FAO, UNESCO, WHO and the International Planned Parenthood Federation.

Action for Development (ACFODE), a Ugandan women's voluntary NGO with membership of 400, sponsors seminars and produces pamphlets about family life education.

b. Family Planning Services

Ten districts will get full family planning and Maternal/Child Health services under a $3.2 million project implemented by UNFPA. The project will install equipment and personnel necessary to establish services in 32 health units located in Arua, Moyo, Bushenyi, Hoima, Mubende, Mukono, Iganga, Tororo, Kampala and Mpigi. They will be located in hospitals, health centers and maternity units.

Family planning projects in four districts are in the planning phase now by the Overseas Development Agency (ODA).

c. Reducing Maternal Mortality

The Safe Motherhood Initiative goal is to reduce the maternal mortality rate. Safe Motherhood provides antenatal, natal and post-natal care, nutritional education, family planning and community education. The initiative is part of the UNFPA-funded government population program. Projects are located in Iganga, Kasese, Mubende, Mpigi, Masaka, Lira, and Apach. Pilot projects are in Moyo, Arua, Hoima, Iganga, Bushenyi, Mukono, Mubende and Tororo.

d. Contraceptives

USAID is funding and implementing a social marketing program for contraceptives. Beginning this year, a private sector distributor will sell condoms, pills and tablets through an already established network of retail shops. This is intended to overcome the transportation and distribution problems of MOH family planning programs and to make contraceptives more widely available.

The Association for Voluntary Surgical Contraception provides services at Entebbe, Mulago, Mengo, Kabale, Mbarara and Jinja hospitals. About 400 tubal ligations have been performed since 1986. It plans to expand its program.

e. Family Planning Logistics Management Project

The FPLM Project is operated by John Snow, Inc. in consultation with the Centers for Disease Control. It estimates contraceptive needs for the entire country and evaluates handling and tracking of contraceptive supplies in Uganda.

b. **Prevention — Therapeutic Programs**

Although to date USAID has focused on behavior modification to prevent HIV infection, there is growing research evidence that approaches not based on sustained behavior change may be equally effective in controlling the epidemic. Therapeutic programs include:

- STD prevention and treatment projects are based on the research findings that a person whose STDs are not treated has a substantially increased risk of HIV infection. (USAID will be supporting STD prevention programs in the new EIL grant.)

- Medication, such as AZT, is the subject of growing evidence that treatment with AZT in the early stages of HIV infection substantially slows progression to disease. (Given the cost of AZT, it is unlikely that this is a feasible approach in a developing country.)

- As vaccines are developed, it is quite likely that Uganda will be selected as a site for vaccine trials by 1993. The Uganda AIDS Commission has urged that the GOU not allow vaccine trials unless there are plans for any successful vaccines to be available and affordable to Ugandans. However, even when a vaccine is developed and available, experience with vaccines for diseases such as measles suggests that getting widespread coverage in Uganda will be problematic.

c. **Treatment and Care Projects**

In addition to projects focusing on HIV infection prevention, there are also many projects in Uganda, some of which receive USAID support, which serve those already infected and their families. These projects include the following activities:

- Support and counseling. For asymptomatic HIV+ persons. AIC's Post-Test Club and TASO's counseling advocating "positive living" are good examples of this approach. For HIV+ persons in early stages of disease TASO outpatient clinics are examples.

- Hospital care of persons with AIDS. In addition to in-patient care, hospitals which have TB wards and clinics are currently serving many persons with AIDS.

- Home Care of persons terminally ill with AIDS. TASO's home care program and the program supported by Nsambya Hospital are active in this area.

- Assistance for families and communities affected by AIDS. Projects providing assistance to widows and distressed communities are not currently funded by USAID though assistance to orphans will be increased in the new EIL grant.

d. Combination Prevention and Treatment Programs

TASO is currently developing a new prevention project, the Community Program, in response to requests for more prevention activities from the communities in which TASO has been active in providing counseling and home care of persons with AIDS.

4. Analysis of HIV/AIDS Programs

There are important lessons to be learned from an analysis of existing programs in the health field.

Perhaps the most important lesson to be gained from the experiences of other programs and projects targeting behavior change in the realm of health is that it is extremely difficult to persuade people to change, and even more difficult to persuade people to sustain this behavior change over the course of months and years. Programs encouraging people to stop the use of drugs, tobacco, and alcohol, lose weight, exercise more, adopt a low fat diet, and so forth have been notable for the small percentage of people who adopt new behaviors, and for the even smaller percentage who avoid "relapse".

On the hopeful side, however, is the fact that programs and efforts which include the provision of long term social support to the targeted behavior change are, in fact, able to achieve some measure of success. Alcoholics Anonymous, for example, has successfully enabled many thousands of persons to stop drinking; many analysts of this program have concluded that the secret to AA's success has been the fact that participants receive on-going support through their participation in weekly AA meetings. Another example may be that those who join exercise clubs, and regularly workout with others who support this activity, are more likely to maintain this behavior than those who exercise alone.

If these findings can be applied to HIV prevention in Uganda, it may be assumed that successful programs will be those which plan for ongoing social support to encourage sustained behavior change. Activities like the Post-test Club of the AIDS Information Centre may, therefore, substantially increase the success of this project.

It must be accepted that affecting change in the area of sexual practices is particularly complex.

Changing any behavior relating to health is not easy; changing reproductive behavior is even more difficult to achieve. Sexual practices are not only influenced by basic physiological drives, but also bring both immediate and long term pleasure, and other benefits with the birth of children. Furthermore, sexual practices are influenced by a complex web of cultural beliefs and mores. For more than a century, there have been efforts to eliminate female circumcision in East Africa. However, this custom is still widely practiced. This suggests that sexual practices influenced by cultural traditions, such as polygyny and marriage of widows by brothers, may prove to be extremely difficult to change. Another critical factor is the social and economic inequality among men and women, which makes it very difficult for women to refuse sex.

Prevention measures which have multiple outcomes are also very difficult to introduce. The use of condoms, which is well documented to reduce HIV infection, results in reduced sexual pleasure

for many persons, and also prevents conception, which may be strongly desired. One of these negative outcomes may be tolerated: gay men in the U.S. have greatly increased their use of condoms. However, many heterosexual men may not accept both the reduction in pleasure and contraception which result from condom use.

One of the most effective methods of prevention may be to establish community credibility first through reputable therapeutic programs.

Although there is not an abundance of data in this area, there is considerable evidence that programs which focus on prevention without a therapeutic aspect are much less successful than programs which combine the two approaches. Rural hospitals in developing countries, which have already earned respect and credibility from surrounding communities based on their therapeutic services, are often more successful at promulgating prevention messages than are programs with no built-in curative services. This is also true for developed countries. The American Cancer Society has earned tremendous community respect and support as a result of its efforts to assist persons with cancer. Its cancer-prevention campaign has been well received as a result of this pre-existing trust and credibility.

There are equally important lessons to be learned from behavior change programs planned and supported by others.

The first lesson is that "top-down" programs are usually unsuccessful. These are programs where planned social change and deliberate efforts on the part of governments are taken to change people's behavior and values.

Programs developed and implemented by governments which have successfully brought about changes in behavior and values in the realm of family life have usually done so at the expense of basic human rights. While the People's Republic of China has successfully imposed on its population those strategies it designed to limit population growth, some side effects of these strategies have been the coercion of women to have abortions, female infanticide, and the suppression of public dissent. Other attempts on the part of governments to bring about behavioral change, such as the "Just Say No" anti-drug-use campaign, have been remarkably unsuccessful.

Much more successful are initiatives that begin at the community level and then are supported by government.

Programs which have successfully resulted in changes in health behavior have usually been ones which gain widespread public support which has subsequently resulted in government support. Examples of such "bottom-up" efforts are the anti-smoking and anti-drunk driving campaigns in the U.S.. These campaigns have been notable for the degree of public support they generated prior to intensive government intervention. However, it should be noted that government support of basic research (which, for example, resulted in the famous 1964 Report of the Surgeon General on the hazards of smoking), the existence of an active, free press, and the existence of a well-functioning legal system (for example, to implement anti-drunk driving efforts and smoke-free public areas) may be among the prerequisites for the success of such community initiatives.

In the area of HIV-prevention, there are some specific lessons which must be taken into consideration.

First, STD control is imperative. It is now well documented that the presence of other STDs, especially those resulting in genital ulcers, facilitates the transmission of HIV. A well-functioning STD Control Program may result in greater reduction in HIV transmission than any other intervention.

Secondly, support for gender-specific research is essential. Much more information is needed in the areas of sexual practices, health behavior in general and the successes and failures of specific projects in attempting to affect HIV-prevention.

Thirdly, more needs to be known about the impact of HIV testing. Research conducted in the U.S. and in Europe to date has not conclusively shown that knowledge of one's sero-status affects one's ability to adopt and sustain behavior change. Some studies have demonstrated a positive effect; others a negative effect of HIV testing. In the Ugandan context, HIV testing is an extremely costly intervention with as yet undocumented benefits.

This is not an argument for delaying intervention until the results of research are known. Rather, research, dissemination of results and incorporation of results into programs are essential parts of any HIV/AIDS prevention strategy.

B. MATERNAL/CHILD HEALTH AND CHILD SURVIVAL

1. Introduction

In the health arena, USAID has not been a major player historically. USAID began an active role in health in late 1987 with the assignment of a Health/Population/Nutrition (HPN) officer. Previous activities were managed by the Program Officer. Activities were largely limited to funding UNICEF to buy oral rehydration salts (ORS) for the Ministry of Health Control of Diarrheal Diseases (CDD) project, which began in 1984.

In part because of this early attachment to CDD, USAID involvement and funding to CDD increased over the years. No one else was supporting it and other donors were adequately supporting other major health initiatives such as the Expanded Program for Immunization. It might be said that USAID inherited the role of mentor to CDD. However, subsequently, USAID made a very conscious decision to continue substantial support to CDD as its only "pure" child survival activity.

Since then it has supported other projects related to maternal/child health and child survival. USAID's current involvement in this area includes support for projects such as rehabilitation of the disabled, the family health initiative, HIV/AIDS prevention and control, and expanded family health services.

2. Approach to Health Sector Programs

USAID's role in health in Uganda has been to identify areas of unattended need and try to fill them. USAID's participation in the CDD program is an illustration of this policy.

From its inception, the CDD program has been hampered by major problems of distribution and irregular supplies of ORS. In response, USAID began to take an increasing leadership role in ORS production and distribution. It has given major support to two primary areas of CDD: a) technical

assistance to develop a private pharmaceutical company's capabilities to produce ORS; and b) training of the Health Inspectorate to better enable it to carry out CDD prevention and education activities at the village level.

a. **Local Production of ORS**

USAID's initial arrangement to procure and import ORS through UNICEF proved unsatisfactory. Because of delayed shipments and irregular supplies, USAID requested the Program for Appropriate Technology in Health (PATH) in 1987 to do a feasibility study on ORS production in Uganda.

PATH located a local pharmaceutical company, Medipharm, which seemed to have the required capabilities. The following year, in June 1988, USAID entered into a cooperative agreement with PATH to provide technical assistance to the MOH, UNICEF and Medipharm to produce, promote and distribute ORS in Uganda. In January 1991, the Medipharm ORS plant was officially opened by President Museveni. The first sachets of Ugandan-produced ORS, packaged only a few days earlier, were given to the guests.

During the first year of production, Medipharm will produce a total of 1.7 million sachets of ORS. Of these, 800,000 will go to the MOH. The remaining 900,000 will be sold in the private sector or to a donor agency for supplemental distribution to health clinics run by the MOH, NGO or others. To date, approximately 500,000 sachets have passed stringent quality control tests in the U.S. and have been turned over to the MOH.

The actual production figures are less than originally projected, but will be sufficient to meet MOH requirements. The amount remaining will likely meet or exceed market demands during the same period. USAID funding for this project has totalled $750,000.

b. **Health Inspectorate**

USAID funds, most from PL 480, have been used for the past two years to support CDD training for the Health Inspectorate (HI) and Health Assistants. There are about 1,000 HIs and a similar number of assistants with the MOH. The duties of both range widely from one location to another, but generally cover sanitation concerns. Among their duties, they do community outreach, protect springs, inspect and improve latrines, teach mothers about ORS and inspect meat.

Because of the general insecurity of the country and lack of regular salaries, the system of HIS had deteriorated badly by 1989. For years, many employees had been supervised little, if at all. They were generally ignored by the government. Some employees became ghost workers who collected meager paychecks for jobs they never did.

In 1988, CDD began training sessions to revitalize the HI with the goal of reaching more mothers with instructions in the use of ORS. The revitalization campaign brought many HIs back into an active status. One of the main attractions to CDD for the HI is the small incentive pay given them by MOH/UNICEF and the bicycles provided to enable them to make home visits. Training continued throughout the secure areas of the country for the next three years. In 1991, it was expanded to the five remaining northern districts that were previously closed.

Evaluation of the training led USAID and MOH to agree that it improved with some technical assistance. USAID contracted with PRITECH to assess the HI training program. Under the USAID grant, PRITECH also undertook studies of other aspects of the CDD program. These include:

- the potential role of traditional healers
- establishing a diarrheal training unit at Mulago Hospital
- developing a diarrheal training curriculum
- conducting an AIDS/persistent diarrhea study
- commercial marketing of ORS sachets (in coordination with PATH)

Because of its major responsibilities here, PRITECH will place a resident representative in Uganda in October, 1991.

3. Analysis

To a large extent, the current health sector program is characterized by recently approved grant agreements in areas affecting maternal/child health and child survival. These include USAID/Uganda Health's three largest projects: Expanded Family Health Services family planning agreement with MOH (to 1995); Nutrition and Control of Diarrheal Diseases with UNICEF (to 1994); and AIDS Prevention with EIL (to 1994).

Therefore, many of the directions, goals and pursuits of the health sector already have been established through these existing projects for much of the five-year period covered by the CPSP. The plan that has been laid focuses on family planning activities, HIV/AIDS prevention and child survival programs. The health office is satisfied that the existing projects and priorities are being effectively implemented, within the limitations dictated by staff and funding.

Looking toward future commitment of USAID health resources in Uganda, there is much room for broadening horizons in the field without stepping on anyone's toes or turf. There are several areas of need in maternal/child health and child survival that deserve particular consideration. These are: a) greater involvement of traditional healers in health projects; b) greater participation of the private sector in health distribution systems; and c) increased prevention programs for acute respiratory infections, malaria and AIDS.

a. Traditional Healers

The concept of using traditional healers as an adjunct to western/government medical programs is relatively new and relatively radical. Nevertheless, the idea seems in many ways to be an obvious one.

A PRITECH survey estimated that 63,000 traditional healers live in Uganda. They are often the first contact for a Ugandan when an illness strikes. However, they have remained almost exclusively outside the biomedical community and to date little effort has been made on either side to alter that relationship. A survey of three districts indicates that traditional healers are eager for training in areas such as diarrheal disease and AIDS and that their enthusiasm and potential far exceed initial expectations.

When PRITECH began a study of traditional healers' role in the ORS project, it was originally envisioned that they could help distribute and spread messages to mothers about ORS. It now appears that they may have a potentially much larger role to play, not only with ORS but with formal health services in general. Traditional healers could be a valuable resource in improving health care at the most basic levels in Uganda. And, if willing, they could also play a role in AIDS prevention through AIDS education and social marketing of condoms.

b. Private Sector Participation

There could be a stronger link between the private sector and USAID's involvement with government health activities. Private sector participation has worked to some extent in other developing countries, but has not yet been explored or tested to any real extent in Uganda. Private distribution systems already exist for medications such as cough syrups, anti-malarials and aspirin. These systems also could be used for increasing the coverage and availability of many other products, ideas and information. Contraceptives and ORS are just now being patched into this private distribution network. There are likely many other products that could be productively added.

c. Acute Respiratory Infection, Malaria, AIDS

Acute respiratory infection, malaria and AIDS are all leading killers in Uganda and demand more research, prevention and treatment. Acute respiratory infection (ARI) is gaining increasing attention from the international medical community here. Malaria, which kills many more people each year than does AIDS, has been the subject of years of research and prevention programs but remains a critical health threat in Uganda. The AIDS epidemic has been addressed in detail previously in this Annex.

C. POPULATION

1. Introduction

There has been virtually no disagreement expressed in various seminars and discussions that AIDS prevention and population programs are desperately needed in Uganda. These areas are strongly supported by USAID in Uganda and in Washington.

Does the Ugandan in the street see the need for population and programs? The probable answer, if a consensus was possible, would be yes. Food shortages, declining health care, decreased access to education, increasing unemployment rates, malnutrition, deforestation, housing shortages and deterioration of soil quality are on a short list of critical issues affected by a population which is growing too fast, too soon.

Does that same Ugandan "want" programs in family planning and AIDs prevention? The answer is more problematic. The low rate of utilization of family planning services is an example: surveys show that although a majority of Ugandan women know about modern methods of contraception, only a small minority actually use them. Does this mean they choose not to take advantage of family planning services that are available to them? Or does it mean that contraceptives are not really available, either because women can't afford to buy them, can't find them locally or don't know how to use them? Possibly, a combination of these reasons. However, a countrywide

survey (by an ODA team in June 1991) identified the single greatest family planning problem as a shortage of supplies.

Assuming there is virtually unanimous agreement on the priority status of AIDS in any strategic plan for Uganda, (and that the question of AIDS strategy is addressed separately in this Annex), attention here will focus on how USAID can most effectively approach population.

To define the Ugandan population problem more precisely, there are now approximately 17 million people in the country. By the year 2,000, there will be 25 million. By the year 2020, there will be 40 million. Based on a 2.5 percent population growth rate (as stated in the provisional 1991 census), the "doubling time" for Uganda's population is projected to be about 28 years.

The birth rate in Uganda has been high for many years and indications are that it is still rising. At 54 births per thousand population, it is one of the highest birth rates in the world. Ugandan women have an average of 7.4 births during their lifetimes. About 60 percent of women deliver their first child before the age of 20.

2. Factors in population growth

a. Age at Marriage

A major factor contributing to the high fertility rate is a woman's age at first marriage. About 54 percent of women marry before they reach the age of 18 and only 2 percent remain unmarried throughout their lifetimes.

b. Education

Education is closely linked to fertility in an inverse relationship. Women with higher education levels have an average of five births, compared to the national average of 7.4. Women with middle and higher education levels also marry an average of four years later than women with no education.

A rapidly expanding population profoundly affects the education levels of the population. It is a cycle that endlessly repeats itself: The more people the less education; the less education the more people. With no change in the current growth rate of 2.5 percent, in the next 30 years Uganda will need a projected 20,000 additional primary schools and 234,000 additional primary school teachers. (This is based on a school of 287 pupils and a student to teacher ratio of 35:1.)

c. Family Size

In a traditional economy, large families are valued in part to provide additional workers to farm the land. But in general younger children, at least, do not produce as much as they consume. Tied to its high birth rate, Uganda also has a high rate of child dependency. The dependency ratio is one working-age adult to each dependent child in Uganda. In comparison, most industrialized countries have a ratio of two to three working-age adults to each dependent child.

The child dependency ratio is further burdened by Uganda's history of civil war and its current epidemic of AIDS.

Experiences of other developing countries suggest that the birth rates creating the high dependency ratio will fall over time in Uganda. However, in the meantime the high growth rate destabilizes the society and frustrates efforts to extend and improve education. It also hastens large scale environmental deterioration, which diminishes the productivity of the land that Uganda will need so badly to feed its growing population.

With a large dependent population, a disproportionate share of public and private resources must be devoted to the needs of the young. A reduction of the dependency ratio potentially would release resources for investment in other development sectors.

3. Approaches to Population

Family planning programs in Africa have met with much frustration and little success over the years in trying to support the Ministry of Health population system. The MOH is responsible for the basic infrastructure in health and medicine. While NGOs and donors complement this system, they cannot replace it.

a. USAID involvement

Many basic requirements of family planning programs are wholly dependent upon donor agencies and likely will remain so for many years to come. Other sources of funding, such as clinic fees, are of limited usefulness because so few people can afford to pay them. (Income from clinic charges in 1990 was about USh 9 million, less than two percent of the MOH family planning budget of USh 466 million.) USAID now provides funding — and expects to continue to provide funding — for the following interventions:

- procurement of contraceptives;
- technical assistance in training for management and clinical skills;
- technical support in developing a national population policy;
- development of a health information system;
- operational research;
- expert assistance in developing information, education and communication materials;
- short-term external training and study tours;
- and procurement of family planning clinic and surgical equipment

b. Problems

Three major problems exist within the current family planning system: low salaries, poor distribution of supplies and undependable transportation.

The most critical of these problems is low salaries of family planning staff in the Ministry of Health population programs. (The problem of low salaries, of course, cuts across all sectors of public service in Uganda.) Government civil servants are paid mere tokens, which provide little incentive to stay with the job once trained, or to do a good job while there. The low salaries undermine productivity, morale and overall effectiveness of existing family planning programs.

Some people discount population problems by pointing to AIDS and the number of deaths it will cause. Certainly AIDS will have an effect on the dynamics of population growth; it will affect the number of people who will die and also the number of children who will not be born.

However, demographers point out that the extent to which the population will be reduced by AIDS is relatively small in comparison to the overall projected population growth. Because of the population base already in place — half of Uganda's population is under 15 years of age — little in the area of morbidity in the next few years is going to prevent Uganda from having many more people than it does now.

On the other hand, if the fertility rate is substantially reduced, there will be a corresponding substantial reduction in the pressures on the country's economic, social service, and natural resource sectors. In Kenya, the fertility rate has dropped from an average of 7 children per woman to an average of 4 children per woman. If a similar decrease in the population growth rate occurred here, it would have major impacts on what would be required to support Uganda in the coming years.

The issue is to slow the rate of population growth so that developmental activities can keep pace. Unless that happens, the reports about the decade of the 1990s will be — at best — all too similar to the reports we now read about the 1980s.

STRATEGY

A. PROPOSED STRATEGY IN HIV/AIDS

AIDS threatens to overwhelm the health sector, and perhaps the entire social system. Uganda is experiencing an epidemic that rivals the worst that any nation, at any time has experienced. Even under the most optimistic projections, AIDS will remain a major concern for a minimum of 10 years.

In reviewing options for combating the disease USAID has considered three possible scenarios: minimal involvement, support of the existing level of programs, and increased involvement through a combination of research, education, and prevention projects. USAID believes A.I.D. should increase its involvement in the battle against AIDS in Uganda.

We propose to advance on many fronts. The following are proposed interventions to be used in that battle. There are probably too many of them. To attack a systemic crisis without a known prescription, one should identify the maximum number of intervention points. It cannot be known in advance which ones might work. We recognize that not all of these approaches will be effective. Therefore, a key element of this plan will be extensive evaluation of all interventions. The evaluations will serve to quickly document effective strategies and expel ineffective ones.

The proposed interventions:

1. Increased Support for Research

We must continue to support research and evaluation which will serve to inform the Ugandan people, their government, and donors about HIV/AIDS in Uganda and about what is most effective in the area of prevention. The dissemination of research results allow citizens to understand their health risks. (The U.S. Surgeon General's statement in 1964 on the health risks of smoking is the most famous example. His report could not have been possible without many years of government support of research on smoking and health.) It is USAID's intention to ensure that all types of information gathered will be shared notonly with those working in AIDS but with those who are involved in family planning, MCH, or other aspects of health care.

All projects receiving USAID funding should have a strong evaluation component, and there should be plans for the dissemination of information generated by this research and evaluation.

2. Multiple Strategies and Programs Should Be Encouraged

At this time, the level of scientific knowledge about effective HIV prevention measures is inadequate. Until a narrow range of activities is known to be effective, acceptable, and sustainable, we should support a wide range of projects, interventions, and organizations. In this regard USAID will actively seek out ways of simultaneously reinforcing programs in AIDS prevention, family planning, and MCH/child survival.

3. Increased Support for Grassroots Initiatives

To encourage a wide variety of projects from a wide range of NGOs and PVOs, we need a simple funding mechanism for small grants. Shilling grants for less than US$50,000, for example, may be an ideal way to implement this strategy. We may wish to consider granting shillings only to local, grassroots projects with the expectation that groups such as EIL and FUE can successfully meet USAID criteria for dollar grants. The grants should require evaluation to increase our knowledge of successful programs.

We should be prepared to support any Ugandan efforts that have the potential to bring about changes in values and behaviors to decrease the rate of HIV infection. We should expect, however, that these efforts may not be ones which would work in the U.S., and that the groups engaged in these efforts may not meet our usual criteria for organizational capabilities.

Finally, we should expect that some of these projects may prove ineffectual. However, identification of ineffective projects will serve to increase our knowledge of what does work.

4. Support for Indigenous Institutions Should be Increased

There is good evidence that indigenous institutions with pre-existing community support may prove to be more successful in encouraging the adoption of behavior change than those institutions which are created for the purpose of programmatic interventions. In the Ugandan context, religious institutions are active and influential.

We should expand our support for HIV/AIDS prevention efforts to include religious organizations and institutions. The Anglican, Catholic, and Moslem churches are prime examples of local PVOs with not only a "head office" in Kampala but also "branch offices" throughout the country. Ugandans actively support their churches, both with their time and financial donations. We should be prepared to accept that these HIV/AIDS prevention activities may not be what we would design, but may be more effective in the local context.

5. Combination of Home Care and Prevention Programs Should be Encouraged

There are compelling reasons for USAID to continue to support projects that care for those affected by this epidemic. Agencies that establish a reputation for their care and support of people affected by a disease have vastly increased credibility when they launch into prevention programs. (The American Cancer Society is a prime example of a support agency becoming increasingly active — and successful — in cancer prevention campaigns.)

Our support for combination prevention/treatment programs should include projects like TASO's home care program for persons with symptomatic AIDS and projects that provide support to orphans. We should encourage grant applications from organizations involved in such programs.

6. Support for HIV Testing Should be Thoroughly Assessed

As stated earlier, there is as yet insufficient evidence to support the concept that knowing one's sero-status is an effective motivator for behavior change. As USAID continues support of the AIDS Information Centre, it may well be that the information dissemination and counseling activities

should be increased and HIV testing de-emphasized until there is more scientific evidence to support this very expensive activity.

However, it cannot be denied that many Ugandans are eager to know their sero-status. If HIV testing is continued to be offered, a co-payment should be considered. If future research both in Western countries and in Africa documents that HIV testing is a cost-effective activity, the co-payment could be eliminated.

7. Treatment of Sexually Transmitted Diseases

Treatment of other sexually transmitted diseases should be aggressively pursued. Current evidence suggests that the HIV transmission rate is many times lower in individuals who are free of STDs in comparison to those who are infected.

8. AIDS Education in Schools

Sex education programs should be expanded significantly to reach youth who are not yet sexually active. In particular, AIDS education must be targeted for girls 12 to 15 years of age and their mothers, a group which holds some promise for containing the disease among the young.

9. Military Programs

The military is a group having an especially high rate of infection. They are also widely believed to contribute heavily to the spread of AIDS. Because of this, special programs are already being developed to meet their particular needs.

10. Status of Women

The secondary legal, economic and social status of women in Uganda undermines their ability to make choices about their own lives. To empower women to make choices that will protect themselves and others from AIDS, a major effort should be made to accelerate the trend toward equal status for women. The government is moderately supportive of these efforts.

11. Focusing on Least Affected Areas

Emphasis should be placed on protecting the geographic areas least affected by AIDS. The first step must be research to identify these areas. It is unknown how this goal would be accomplished operationally.

12. Public Relations Campaigns

Public relations campaigns against major ancillary factors should be mounted. Chief among these is alcoholism. Changes in the attitudes toward drunk driving in the U.S. give hope that similar changes could be made in Uganda.

B. PROPOSED STRATEGY IN MATERNAL/CHILD HEALTH AND CHILD SURVIVAL

Many of the directions, goals and pursuits of the Health/Population/Nutrition Office for the next five years already have been established through existing projects. Recent grant agreements for our three major projects — in family planning, control of diarrheal disease and AIDS — take us at least through 1994. At this point, the reality of where we think we should go is where we have started.

The plan that has been laid is to focus on family planning activities, AIDS/HIV prevention and child survival programs. The health office is satisfied that the existing projects and priorities are being effectively implemented, within the limitations dictated by staff and funding.

USAID health office in Uganda should continue to be a strong supporter in the areas of CDD, ORS distribution and production, family planning education, AIDS, research and analysis, training of health workers, contraceptive and logistics management, social marketing.

With additional current resources, or at a later date, USAID should consider expanding its support of programs in three areas:

1. Traditional healers in health projects

We should support and encourage some of the less formalized Ugandan systems and institutions in the field of health. These would include traditional healers as well as indigenous, grassroots efforts to address health issues such as AIDS, family planning and illness. These should be at the very least considered — and probably included — in USAID's overall plan to reach people, particularly in rural areas.

2. Private sector participation in health distribution systems

There should be a stronger link between the private sector and USAID's involvement with government health activities. Contraceptives and ORS are just now being patched into the private distribution network. There are likely many other products that could be productively added. This distribution technique has worked in other developing countries and must be thoroughly tried in Uganda before it is dismissed prematurely as ineffective.

3. Acute Respiratory Infection, Malaria, AIDS

Acute respiratory infection, malaria and AIDS — all leading killers in Uganda — demand more research, prevention and treatment. Anti-malarial activities are underway in Uganda by UNICEF, which receives U.S. support. USAID will concentrate our resources in other areas, to increase program focus.

C. PROPOSED STRATEGY IN POPULATION

The high rate of population growth and low level of contraceptive use continue to frustrate family planning efforts in Uganda. Although donors such as USAID wholly support many aspects of family planning, they can only complement the family planning infrastructure in place under the Ministry of Health.

USAID proposes to continue existing family planning efforts in Uganda, including procurement and distribution of contraceptives, technical assistance, development of a health information system, research, training, and procurement of family planning clinic and surgical equipment.

Although we hope to significantly increase the effectiveness of family planning programs, we do not, at this time, intend to significantly increase their funding. AIDS programs will claim the bulk of resources available in the health sector. In some cases, it may be that family planning programs are the most effective way to address AIDS. If this proves to be the case, use of joint AIDS-family planning programs will be expanded.

There are several areas that need to be addressed if family planning programs are going to be effective in Uganda:

1. Salary supplements

The most critical problem is low salaries of family planning staff in the Ministry of Health population programs. Low salaries make it difficult, if not impossible, to fill positions. They undermine productivity, morale and overall effectiveness of existing family planning programs.

USAID should alter its policy to allow funding for salary supplements to bring wages up to competitive standards. Most, if not all, international donors, with the exception of USAID, are allowed to offer some sort of salary supplement to recruit and retain competent project staff based in government offices. The inability of USAID to provide such supplements effectively prevents USAID family planning activities from achieving stated goals.

2. Expanded Social Marketing of Contraceptives

Social marketing of contraceptives has worked in other countries, but it has taken time. We should understand that donor support will be needed for at least several years.

3. Family Planning Clinics in the Private Sector

Other ventures into the private sector should be explored, including family planning services incorporated into company, plantation and factory health clinics.

4. Supplies, Distribution and Transportation

If contraceptives and other family planning supplies aren't available to the population, they can do no good. USAID must continue to support projects that seek to overcome the chronic problems zof supply shortages, distribution problems and undependable transportation.

ANNEX C-7

DATA SOURCES, SHORTAGES AND SURVEY NEEDS FOR MONITORING THE UGANDA CPSP

Annex C-7
Data Sources, Shortages and Survey Needs for Monitoring the Uganda CPSP

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Data Sources, Shortages and Survey Needs for Monitoring the Uganda CPSP

Data: Sources and Shortages

As befits a market-oriented strategy, the data requirements of a CPSP depend upon on data supply (availability, including quality) and demand (the objective-tree-determined program baseline, benchmarks and indicators), on the price at which sufficient data will be supplied to meet quantity demanded, and on the willingness of USAID to pay that price.[1] This Annex includes some close substitutes as well as sources of the items themselves.

Data availability

Data collection has been nonexistent or ineffectual in Uganda since the 1970s. As the Committee on the State of the Economy of the National Resistance Council admits (p 7):

> Political upheavals and gross economic mismanagement in the past two and a half decades have reduced statistical analysis to mere imputation of data, and planning merely involves project profiles with indicative cost estimates. As basic benchmarks have been out of date, most statistical conclusions cannot be as reliable as should be. The situation may soon be changing as some nation wide surveys such as the census and household patterns, business establishments, etc., are now being carried out.

These new surveys will be important for monitoring the Country Strategy. The data they generate will permit first, benchmark information (1989-91 period), and second, a base for indicators of progress in the USAID Program for the 1991-1996 period.

The existence and size of the informal sector must be taken into account in the interpretation of most economic and production statistics, particularly as it affects foreign trade. An example may make this clear. Legalization of the parallel exchange rate in 1990, together with possible reforms in the next months or years which would simplify the documentation required for legal trade and reduce trade taxation, could easily induce shifts from informal to formal trading channels, in which case official data would reflect statistical aberrations rather than changes in private incomes or foreign exchange resources to the economy. A graphical analysis of such an aberration is given in an Appendix.

The economic importance of this shift could be great: while coffee provided 90.3 percent of merchandise exports in 1989/90 and continues (with some minor non-factor services, particularly hotel rent for non-residents) to be the only export trade conducted at the official exchange rate, discussions with a member of the Presidential Economic Council suggest that PEC's confidential estimate is more on the order of 50-60 percent, which is consistent with other estimates of parallel market trade of $112M. As a result, the value content of policy dialogue and policy analysis leading to the CPSP is sensitive to the assumptions concerning the scale of the informal sector and its potential responsiveness to policy change.

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[1]This in turn is determined not just by A.I.D.'s budget, but by the importance of the data in achieving AID objectives, and by the availability of near-substitutes in the market for information.

Information Sources

Information is limited on population and household budgets. Censuses exist for 1948, 1959, 1969, and 1980; of these, only the 1969 census was properly processed and analyzed, so most time series information is of little use [Background to the Budget p. 32]. The civil strife which has taken place implies structural changes in population and in household size and compositions which make comparisons with 1969 fraught with analytical danger, and this is not suggested.

However, baseline information for CPSP analysis is being created through several recent and ongoing surveys and censuses, listed in Table 1. The results of some of these are not yet available.

Table 1: Population and Income Data Sources

- National Manpower Survey (1988, MPED)
- Demographic and Health Survey (1988/89, MOH)
- Household Budget Survey (Nationwide 1989/90, MPED)
- Census of Population and Housing 1990 (1988-93, MPED—enumeration in January 1991)
- National Census of Agriculture and Livestock (1988-92, MOA)
- Kaijuka, Emmanuel M. *et al* (1989). *Uganda demographic and health survey 1988/1989.*
- MPED *et al* (1989). *Uganda: Population factors in national reconstruction and development.*

For others, just the existence of a valid sample survey framework will be useful in designing surveys to measure impact, and USAID projects may have to be modified to fund study components to permit evaluation and monitoring using such a framework. The analytical team must arrange with the competent authorities that this framework be made available. These surveys provide benchmarks and program indicators, potentially disaggregated by target group or geographic region, for various indicators. An indicative list is given in Table 2.

The macroeconomic data is at once problematic and simple. Due to lack of data sources, both national income and monetary survey information used both by the GOU and donors comes from a unique set based on Bank of Uganda data, with IMF assistance. Unlike in many countries, there is no embarrassment of choice between sometimes conflicting information sets.

Consensus on the data set of choice does not imply agreement on its superiority to other sources of data, however. This is explained in more detail in this section.

Data on the monetary and banking sectors, government budget by ministry or sector, agriculture and industry, official exchange rates, and other official data are compiled and published regularly in the *Bank of Uganda Quarterly Economic Report*. Despite certain problems with quality of official data, this is probably the best compendium of official information available for analysis. The Report is currently published with a delay of approximately 5 months in the most current information, though certain data series are less up to date. The *Report* provides an overview (subject to publishing

Table 2: Possible Indicators
of Population, Income

- population growth rates
- age-specific birth rates, total fertility rate
- child mortality and morbidity
- mortality rates, and morbidity from communicable diseases
- school enrollment ratios, gross and net
- school participation and leaving
- age-specific literacy rates (among school-aged population, among target groups impacted by the 20-year collapse in the educational system)
- labor force composition
- composition of household income; real income
- degree of monetization of the economy
- scale of the informal sector, of informal foreign trade
- real wages
- cost burden of fee-for-service in education, health, other
- incidence of taxation
- inflation
- indices of relative prices of tradeables versus non-tradeables in international trades [i.e. export incentives]
- indices of well-being, of housing stock
- growth in agricultural production, overall and by crop
- indices of agricultural response to market incentives or other interventions, locally or globally

delay) of several series described below.

At this writing (March 1991), the most recent GDP data available is for 1988, while balance of payments and monetary information are available for UFY 1989/90. These tables are frequently presented in terms of growth rates, reflecting the need to estimate various components which are reported with a time lag in order to get working figures. The GDP data for 1988 are of particular usefulness, in that they are based on the first review of GDP in over 20 years by the Statistics Department. Other analytical advantages of the new series include:

- Series in constant prices expressed with 1987 weights rather than 1966 weights;
- Estimates are regrouped to conform with ISIC;
- Breakdown for some sectors (notably agriculture, transport, and communications/services) is provided for the first time;
- Current price series (formerly derived approximately from 1966 constant price series) are now directly calculated by valuation of 1987 production, by sector; and
- Review of rural market prices provides deflators which give a more reliable conversion between current and constant price series than was hitherto possible.

Still a considerable degree of subjectivity exists in these GDP statistics. The major additions to this series were improved estimates for agriculture and livestock, by crop. The statistics available

on manufacturing are of particularly high quality and up to date (industrial production is available up to September 1990). Most of the data series have not been collected in Uganda for many years, though statistical projects underway should rectify many of these in the future. However, (GDP, p. 2):

> "Estimates for the Services sector are very weak, Assessment of the contribution of General Government, and of Government-type services such as Education and Health, is very imprecise, and little confidence can be attributed to the level of GDP which has been recorded. ... [N]on-cash benefits, especially in respect of housing, are in all probability much greater than the cash payments, and no firm statistics exist to estimate the relative values of direct and indirect compensation of employees.
>
> "Construction is another sector for which the existing data base is weak. ... There is no firm information on privately financed construction, including home building, and it is probable that the contribution of this sector is undervalued in these latest estimates."

In summary and including other data sources, reasonably good information is available in the documents listed in Table 3.

Table 3: Sources of Information on Macroeconomic and Sectoral Data

- Bank of Uganda, Quarterly Economic Report (most recent is 03/1990, July-Sept. 1990)
- Gross Domestic Product, Uganda (1982-88). Statistical Bulletin No. GDP/1, 15 December 1989
- Consumer Price Index Kampala (to September 1990). Statistical Bulletin No. CPI/1, October 1990
- Index of Industrial Production (to September 1990). Statistical Bulletin No. IP/7, January 1991
- Census of Establishments, 1989, covering all establishments with 5 or more employees in manufacturing, construction, retail and wholesale trade, transport, and some other sectors (fieldwork planned beginning June 1990, current status unknown).

Indicators available in these documents, or which can be determined by survey based on the framework of the Census of Establishments, are listed in Table 4. Besides these data sources, the IMF *International Financial Statistics* reports, routinely generated by the IMF for the Article IV discussions, and those by the World Bank for Consultative Group meetings provide data on the Ugandan economy. As previously noted there is already a great degree of convergence between the data published by these organizations and that published by the GOU, with the data limitations referring more to informal activities and their trends than to estimating techniques by the three bodies.

Employment figures are always suspect, not just for their magnitude but for their interpretation in an economy which lacks transfer payments to the unemployed. In such a case, involuntary unemployment is meaningless in an economic sense, as individuals return to subsistence agriculture (however, the 1988-89 Demographic and Health Survey uncovered malnutrition which had been

Table 4: Indicators of Macroeconomic and Sectoral Change

- Money supply and its components by month, including
- domestic credit (global and by sector) and
- foreign assets of banking system;
- formal sector interest rates (level and structure)
- official exchange rate
- GDP at factor cost by industry (includes the estimate of the non-monetary economy which can—and probably must—be adjusted for purposes of analysis according to estimates of subsistence or informal production)
- balance of payments and balance of trade
- government securities outstanding (currently not of interest, but could indicate deepening of monetary system)
- Government development expenditure, current expenditure by ministry or sector
- sources and amount of (central) government revenue
- cost of living by major category (indicator of inflation, of real incomes, of liberalization, of price control)
- administered commodity prices (indicator of same)
- agricultural production (formal sector, with a 1 + year lag) by commodity
- industrial production (formal sector, with 1 + year lag)
- composition of official exports, imports
- current information on official barter trade
- volume and direction of official trade

unexpected to those believing that full return to subsistence agriculture was an alternative use of time and labor for the entire population). The Background to the Budget 1990-91 reports five percent urban unemployment and seven percent rural unemployment.

According to the same source (p. 37), there are three sources of employment information. The Annual Enumeration of Employees began in 1966 but was discontinued in 1977, disaggregated by private and public sector. A separate series on employment in selected manufacturing establishments, on a much smaller base, began in 1977 and continues. Finally, the national manpower survey of 1988 gives a point estimate for public and private sector employment for 1988. Compared to the last Annual Enumeration, it suggests an increase in public sector employment of 18 percent since 1977 while private sector employment declined by 17 percent. The former figure in particular is inconsistent with other evidence. Public sector employment information is particularly uninformative, since the overwhelming evidence is that, with average civil service starting salaries of USh 2500-3000 per month, public sector workers must hold multiple jobs in the public service, or combined public-private service, to survive. Information on job *positions* thus tells little about *employment*. In short, employment data series are both unavailable and unlikely to become reliably available, so any indicators of employment must be generated by special survey.

Even if such data were available, the quality of employment and its contribution to income (productivity) is unknowable. Health and education data are discussed later. Other determinants of quality of employment are entrepreneurship and skill, both in the management position and in labor used; much entrepreneurial and skilled labor left the country during the 1970s and has not returned.

Productivity depends upon capital (including human capital) and technology used with labor. The widespread destruction during the 1970s included some existing capital and diverted other capital to safer (or defensive) but less productive uses. By its selectivity it encouraged the development of small-scale (and thus less visible) firms using simple production technologies and local inputs. Capital series are largely "guesstimates" even in advanced economies due to technological change and the uncertainties of physical and economic depreciation; in Uganda they are unknowable. The skills to use new technologies which were developed elsewhere during the long period of civil strife were not introduced into the Ugandan work force, nor were many skills transmittable through education which was disrupted during the period.

Sectoral information

Sectoral information in Uganda is in general, quite good. Once again, the size of the informal sector must be taken into account, particularly as it affects foreign trade. The example of statistical aberrations caused by policy-induced shifts from informal to formal production or trading channels (see Appendix) has already been cited.

Useful indicators of rehabilitation of sectoral capital and infrastructure are notably absent from available data sets. As rehabilitation is not yet complete, it would appear to be useful to have this information. However, the emerging structure of the economy will undoubtedly differ greatly from the old structure which was built upon a well developed educational, health, and infrastructure endowment, and which was influenced by Uganda's specialization within the East African Community. In this case, the absence of these data does not pose a significant problem. Some of this information may become available through surveys, particularly when and if the return or disposal of Custodial Board properties is more advanced.

- Sectoral indicators published in tabular form are already discussed in the context of the information sources above.

A private sector assessment (PSA) of Uganda exists and provides indicative baseline data on the economic and the policy environment (macroeconomic and microeconomic, legislative and regulatory) for the private sector. The most useful baseline information for the education sector is Lewis *et al* (see Table 5). Health sector indicators are published in the Demographic and Health Survey (Table 1).

After describing the policy impediments to the private sector (many of which are described here), the PSA combines the greatly improved 1988 estimates for the sectoral distribution of GDP (described above) with sheer "guesstimates" concerning the role of the private sector in each subsector, to conclude that in Uganda the private sector is responsible for 90 percent of GDP. The figure appears

Table 5: Sectoral Data Sources

- Lewis, Suzanne Grant et al (1990). *Uganda education sector review: Issues and options for USAID.*
- Short, John *et al* (1990). *Uganda: Developing the private sector through supporting markets.*

to be roughly accurate, though the study notes that this private sector dominance is partially attributable not to its robust nature but rather to the wholesale destruction of the large-scale plantation and industrial sectors in which parastatal enterprises were predominant.

Data needs include (1) a baseline sectoral distribution of existing, greatly reduced, production and (2) indicators of its expansion and restructuring. In particular, measurement of price ratios between tradeables and non-tradeables is an important determinant of incentives to trade if the non-tradeable sector is sufficiently significant to permit influencing this ratio through policy measures.[2] New data series must be created to capture the magnitude of this trade, probably indirectly since evidence on formal trade statistics for import and export have shown the act of measurement by the Government (through the recording role of import and export licenses) to lead the subject of measurement to evade measurement quite actively.

Data series on magnitudes of formal savings, distribution of that savings as investment by sector, and distribution of investment from foreign exchange sources, are necessary to chart the structural adjustment process.

Considerable information of an anecdotal nature is widely available from Ugandans and development assistance professionals who travel throughout the country. While anecdotal evidence should play no more than a supporting role in monitoring and evaluating progress of the Country Program Strategy, the technique of field observation is a respected tool of the anthropological method. As we cannot expect that formal data sources will provide the benchmark indicators necessary for many components of the CPSP, early attention should be given to the design of consistent survey questionnaires to be incorporated in trip reports. These observations must still be complemented regularly by small purposive sample surveys in localities or sectors which (judging from the characteristics of the population given by the census benchmark) have been overlooked due to the intrinsic bias of treating trip reports as samples of the universe. Nontheless, such a survey method would provide a low-cost method of measuring A.I.D. program progress.

The survey above has indicated several areas in which existing data series are inadequate for analyzing the economy or for tracking strategic objectives. In some of these areas the data do not exist, and cannot exist given rather limited resources. In others they exist but must be compiled. In still others they can be determined by survey, or be built into project design. In the next section we discuss some of the preliminary surveys necessary to compile existing data into usable form for the CPSP analytical study. This does not include the survey needs for the longer term, though in some instances it is expected that the compilation of data will uncover particular areas or methodologies worthy of further consideration in the CPSP process.

Data: Survey Needs

Monitoring and evaluation of the Country Program Strategy requires further analysis and compilation of information for analysis, some based on the data sources given above and others based on interview. The survey needs are given in this section, as they bear on the major strategic issues for further analysis which will be developed in the following section.

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[2]In Uganda most foodcrops are tradeable, in cross-border trade in which the informal sector has a significant, unmeasured role. Unlike in most countries, even electricity is traded.

Analytical understanding of the private sector has been expanded considerably by the 1990 PSA, described above. This study is poor, however, at differentiating real from perceived constraints when interviewing entrepreneurs. For instance, the PSA reports the shortage of working capital credit as a perceived constraint. The World Bank Financial Sector Review (which obtained very similar responses to private sector interviews) nonetheless concluded (Vol I p. 11) that "[b]usinesses that state that their main problem is a lack of working capital have often had a history of production problems leading to a current loss of creditworthiness."

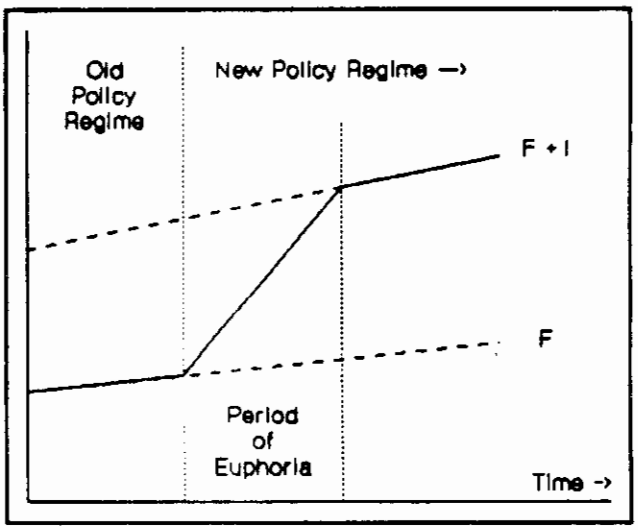
There are three major sources of information on current constraints to private sector growth, particularly in the export sector. These are the PSA, the World Bank Financial Sector Review (1990f), and an EPADU study of administrative and regulatory constraints facing potential exporters. To some extent the three studies appear to be looking at different aspects of the same phenomenon; they are highly complementary. It is suggested that USAID contract a study to synthesize these three studies, perhaps drawing on other information which can be found locally.

Among such information, USAID's own program evaluations should feed into this study, particularly those concerning finance and the provision of foreign exchange -- the RPE program in particular caused substantial problems to participants due to USG-driven procurement problems and delays. Analysis of the *implementation* experience of USAID policy and foreign exchange interventions to date and their effect on the intended private sector beneficiaries would provide a significant input into the future strategy.

Many of the survey needs will be met by the new USAID Policy Analysis and Capacity Building (PACB) Project.

Appendix: False Indicators
Effect of the Informal Sector or Excess Capacity on Measured Impact.

This appendix provides an example of a case where formal (F) and informal/illegal (I) export revenues are stagnant, but a one-time policy shift (or one of a series) suddenly favors exports. A non-traditional export scheme may be such a shift. The analysis applies equally to questions such as production when excess capacity/excess land exist and immediate increases in production can be obtained by applying unemployed resources to this excess resource. The export case is used for simplicity.



In this figure, modest intrinsic growth (dotted line) is shown for both formal and informal sectors. The same effect could be derived if one, or both, lines had a distinctly negative slope indicating decay rather than growth.

Here, the new policy regime suddenly favors exports. The observed growth spurt (solid line) does not even exist, but merely tracks a conversion of informal export (I), which is unrecorded in official statistics, to formal export (F), which is recorded. Existence must be a precondition for sustainability, so the euphoria created by the statistical growth is itself unsustainable.

There may be reasons other than growth to favor the shift. For instance, the expansion of the tax base, judiciously applied to prevent killing the goose which lays the golden egg. Nevertheless, in general, care must be taken to differentiate true growth from that which is captured by statistics. Between the informal sector and the question of capacity utilization, two reasons exist for doubting the more optimistic projections made of growth of the GDP or exports of Uganda. For the same reason, growth models based on structural change are interested in what cannot be seen (such as the comparative slopes of alternative sectoral growth paths), rather than what is observed (the solid line).

This simple model of "misplaced euphoria" is applicable to several aspects of the current growth of production and exports in Uganda. Care must be taken to avoid complacency in assuming that limited policy liberalization by itself can lead to sustained growth, if other policies prevent choice of the best sectors and technologies by producers. The problems are:

1. Mistaking recovery for growth. Output growth based on utilization of existing capacity (particularly depreciated capital so the inappropriateness of production may be concealed until the time comes to replace the capital) may lead to future stunted growth.

2. Favoring sectors which historically were very important in scale but which now have little growth potential, as against sectors which may be small but have growth potential (this is known as the fallacy of composition), can lead to temporary, but blocked, income growth.

Additional investment in such sectors may be wasted. Examples in Uganda include copper mining (and refining), and rail transport.

3. Mistaking emergence of informal or illegal activities into the light of formality for growth in the sector. While the emergence has a value — both as an indicator of private sector confidence and as a legitimate field for government revenue collection and market regulation — the recorded growth rate cannot be projected far into the future with any safety whatsoever.

Each of these problems currently afflicts planning and the data base for planning in Uganda. Care must be taken in analyzing and projecting any such data.

ANNEX C-8

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TO

ANALYTICAL ANNEX C

ANNEX C-8
JOINT BIBLIOGRAPHY TO ANALYTICAL ANNEXES

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ANNEX C-9

UGANDA CPSP

COMBINED LIST OF ACRONYMS

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ACRONYMS

ACFODE	Action for Development (Ugandan NGO)
AIDS	Acquired Immune Deficiency Syndrome
ANEPP	Agriculture and Non-Traditional Export Promotion Program (USAID Program)
APE	Action Plan for the Environment (USAID Program)
ATC	Authorized Traders Certificate [sales tax exemption]
ATLAS	African Training for Leadership And Skills (A.I.D. program)
BEND	Basic Education for National Development (UNESCO Project)
BKK	Badan Kredit Kecamatan (Village Credit Corps, Indonesia)
BOU	Bank of Uganda (Central Bank)
CAAS	Cooperative Agriculture and Agribusiness Support (USAID Project)
CIAT	International Center of Tropical Agriculture
CIMMYT	International Maize and Wheat Improvement Center
CIP	International Potato Center
CLUSA	Credit League of the U.S.A.
CMB	Coffee Marketing Board
COOP	The Cooperative Bank
CPSP	Country Program Strategic Plan (A.I.D.)
CTL	Commercial Transaction Levy [services tax]
DA	District Administrator
DANIDA	Danish International Development Agency
DAP	Departed Asians' Property
DAPCB	Departed Asians' Property Custodian Board
DDC	District Development Committee
DEO	District Education Officer
DES	District Executive Secretary
DF	Department of Forestry
DFA	Development Fund for Africa
DHS	[1989 Uganda] Demographic and Health Survey
DPO	District Population Officer
DTC	Development Through Conservation (CARE Project)
EAC	East African Community
EADB	East Africa Development Bank
EDMP	Essential Drugs Management Program
EEC	European [Economic] Community
EFHS	Expanded Family Health Services Project (USAID)
EIL	Experiment in International Living
EPADU	Export Policy Analysis and Development Unit (MPED)
ERP	Economic Recovery Program
ESAF	Enhanced Structural Adjustment Facility (IMF)
FAO	Food and Agriculture Organization (UN)
FEB	foreign exchange bureau(x)
Forex	Foreign exchange

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FP	family planning
FPA	Family Planning Association
FPAU	Family Planning Association of Uganda
FUE	Federation of Ugandan Employers
FY	Fiscal Year — Ugandan FY is 1 July - 30 June.
GDP	Gross Domestic Product
GIS	Graphic Information System
GOU	Government of Uganda
GPT	Graduated Personal Tax
HG	Housing Guarantee (A.I.D. program)
HI	Health Inspectorate
HIV	Human immunodeficiency virus
IBRD	International Bank for Reconstruction and Development (World Bank)
ICRAF	International Council for Research in Agroforestry
IDA	International Development Association (World Bank Group)
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IQC	Indefinite Quantity Contract (A.I.D. contracting mechanism)
IUCN	International Union for the Conservation of Nature
KUPEDES	Kredit Umum Pedesaan (General Village Credit Program, Indonesia)
LALF	Local Authorities Loan Fund
LC	letter of credit
MAAIF	Ministry of Agriculture, Animal Industries and Fisheries
MCH	maternal and child health
MEMEP	Ministry of Energy, Mining and Environmental Protection
MFAD	Manpower for Agriculture Development Project (USAID)
MIS	management information system
MOA	Ministry of Agriculture
MOE	Ministry of Education
MOF	Ministry of Finance
MOH	Ministry of Health
MOLG	Ministry of Local Government
MPED	Ministry of Planning and Economic Development
MTWA	Ministry of Tourism, Wildlife and Antiquities
MUFAF	Makerere University, Faculty of Agriculture and Forestry
NBFI	non-bank financial intermediary/institution
NCDC	National Curriculum Development Center
NGO	non-governmental organization
NICE	National Information Center for the Environment
NICU	National Inputs Cooperative Union
NPA	non-project assistance (A.I.D.)
NRA	National Resistance Army

NRC	National Resistance Council (Parliament)
NRM	National Resistance Movement
ODA	Official Development Assistance, or
ODA	Overseas Development Administration (UK)
OECD	Organization for European Cooperation and Development
ORS	oral rehydration salts
ORT	oral rehydration therapy
OGL	Open General Licensing (system)
PAAD	Program Agreement Authorization Document (A.I.D.)
PACB	Policy Analysis and Capacity Building (USAID Project)
PFP	Policy Framework Paper
PLE	Primary Leaving Examination
PSC	Public Service Commission
PTA	Parent Teacher Association
PTTC	Primary Teacher Training College
RC	Resistance Committee
RDP	Rehabilitation and Development Plan
ROSCA	rotating savings and credit association
RPE	Rehabilitation of Productive Enterprises (USAID Project)
SAF	Structural Adjustment Facility (IMF)
SHEP	School Health Education Project (UNICEF Project)
SIDA	Swedish International Development Agency
SIMPEDES	Simpinan Pedesaan (Village Savings [Program], Indonesia)
SIP	Special Imports Program
STD	sexually transmitted disease
TASO	The AIDS Support Organization (Uganda)
TBA	traditional birth attendant
TH	traditional healer
UCA	Uganda Cooperative Association
UCB	Uganda Commercial Bank
UCCU	Uganda Central Cooperative Union
UCSU	Uganda Credit and Savings Union Ltd.
UDB	Uganda Development Bank
UFY	Ugandan Fiscal Year (1 July - 30 June)
UNEB	Uganda National Examination Board
UNEPI	U.N. Expanded Programme for Immunization
UNFPA	U.N. Family Planning Association
UNLF	Uganda National Liberation Forces
UNP	Uganda National Parks
UPC	Uganda People's Congress
UPM	Uganda Patriotic Movement
USH	Uganda Shillings
USIA	United States Information Agency

WCI	Wildlife Conservation International
WID	women in development

ANNEX D

SPECIAL STUDIES

1. Development Assistance Donors in Uganda
2. Women in Development Activities

SPECIAL STUDY NO. 1

DEVELOPMENT ASSISTANCE DONORS IN UGANDA

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Special Study No. 1
Development Assistance Donors in Uganda
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Introduction

This study provides an overview of the programs in Uganda of major donors and implementors. There are around 60 donors to Ugandan development: UNDP (1990) records 26 members of the UN system, 11 other multilaterals, and 22 bilateral donors; and a large number of non-governmental organizations (many domestic, and at least 20 international) which implement programs financed at least in part by donor governments or institutions. Most of these programs are small, some under $100,000 annually. This survey covers the most important (in terms of budget) contributors to development without denigrating the possible impact of well-targeted small programs.

Necessity requires including double or inconsistent counting, as it is impossible to eliminate (within the limited TOR for this study) activities or their parts which are recorded in more than one category. This includes:

- PVO/NGO activities funded in whole or in part by donors, or donor activities implemented in whole or in part by one or more PVOs.
- Multilateral programs, national contributions to which are counted by some donors as part of their official development assistance (ODA) but which others do not include in reporting ODA to Uganda; the UN Agencies are examples.
- "Cultural" contributions which some countries include as development assistance while others do not.

This survey consists of a recapitulative table of actual or projected funding by sector of intervention, plus descriptions of the level of funding and programmatic activities of the major multilateral and bilateral donors, plus the major PVO/NGOs.

Multilateral Institutions

African Development Bank

Background

The African Development Bank began lending to Uganda in 1968. The bank is currently lending to the following sectors: agro-industry; industry; transport; public utilities and the social sector.

Funding amounts are given in FUA (fund unit account). One US dollar is equal to approximately 1.2 FUA.

Project List

Tea Factories Rehabilitation	FUA 10 million
Cotton Ginneries Rehabilitation	FUA 7.8 million
Lugazi Sugar Rehabilitation	FUA 15 million
2nd Line of Credit to UDB	FUA 20 million
5 Urban Centers Water & Sewage Rehab	FUA 15 million
Equator Road	FUA 2.59 million
Dairy Rehabilitation	FUA 14.01 million
Education Studies	FUA 1.77 million
Olweny Swamp Rice Irrigation	FUA 17 million
KBO Telecommunications Link (multinational project w/Burundi, Rwanda, Tanzania)	FUA 5.76 million
Mbale Hospital Rehabilitation	FUA 3.82 million
Ag. Line of Credit to UCB	FUA 15 million
Kakira Sugar Rehabilitation	FUA 14.83 million
Ishaka-Katunguru Road Rehab	FUA 10.53 million
Agricultural Finance Institution Study	FUA .299 million
Inst. Support/Wheat & Barley Development Study	FUA 2.86 million
Institutional Support to UEB	FUA 4.853 million
Entebbe Airport Rehab Study	FUA 1.61 million
Railways Rehab. Study	FUA .298 million
Science and Technical Education	FUA 15.40 million
Small & Medium Enterprises Development	FUA 30.5 million
Health Services Rehabilitation	FUA 27.5 million

Tentative Projects for 1992

Pulp and Paper Industry Development Study
Institutional Support to the Tax Department
Second Agricultural Line of Credit to UCB

Tentative Projects for 1993

Economic Recovery Loan III
District Centers Water & Sewage Study

depending on funding:

Railways Rehabilitation
Entebbe Airport Rehabilitation
Upgrading of District Roads

East African Development Bank

Background

EADB is a long-term lender of funds to organizations and entrepreneurial projects in East Africa. It was originally begun through a cooperative effort by the governments of Uganda, Kenya and Tanzania. EADB was in operation under the umbrella of the East African Community through 1982. EADB's new charter in 1982 allowed the bank to expand into sectors other than industrial development.

EADB operates with lines of credit from a number of multilateral and bilateral donors. These include the World Bank, African Development Bank, SIDA, SIFIDA, FMO Netherlands, Ostgorabanken

(Sweden), Societe Generale Belgium, European Investment Bank Luxembourg, and the Swiss government.

EADB is strictly a lending agency. Although it is within its charter, the bank has limited involvement in technical assistance. Generally the bank's technical assistance to borrowers occurs in the form of support for financial management and accounting and the establishment of financial systems in order to assist with efficient repayment of loans. The bank attempts to give borrowers a high degree of autonomy, but does require that projects meet the criteria of financial feasibility and sustainability, as well as being in line with the greater development objectives of the country. Although projects approved for loans must meet these criteria, operational problems often hinder their progress. Common problems which result in delays and added expense are insufficient raw materials, outdated equipment, and logistical obstacles.

The trend for Ugandan projects has been to focus on assisting the recovery of industrial productivity. EADB has long-term loans to projects in seven districts; the highest concentration is in Kampala, which has 15 projects.

EADB Project Investments in Uganda (as of 12/89)

Kasese:
Hima Cement (Uganda Cement Industry)
Lake Katwe Salt Project

Kampala:
Century Bottling
Kampala Knitwear
Kisaasi Coffee Processors
Lake Victoria Bottling Co.
Moon Enterprises Ltd.
National Assorted Paper
Poultry Products
Reste Corner Hotel Ltd.
Uganda Electricity Board
United Garment Industry (UGIL)
Universal Clay Works Ltd.
Uganda Railways
Crest Foam Industries

Lugazi:
Cable Corporation

Jinja:
Etats Uganda Ltd.
Jinja Construction
Kiira Saw Mills
Nyanza Textile Industries
Papco Industries Ltd.
Printpak Uganda Ltd.
Steel Rolling Mills, Ltd.

Tororo:
Uganda Cement Industry
Kirinya Sugar Estates

Mbale:
Ugationers Ltd.

Fort Portal:
Uganda Tea Growers

Masaka:
Masaka Cooperative Union

Mbarara:
B.M. Technical Services

European Economic Community

Background

The EEC has a multisectoral approach in its Uganda programs. It is currently involved in projects in economic and social infrastructure, agriculture, environment and industry. In each sector there is an increasing emphasis on having a high level of technical assistance in each project. In addition, most projects have an overseas participant training component in which selected project staff receive short-term technical training.

The EEC provides project funding through both grants and loans. The split is approximately 106 million ECU in grants/15 million ECU in loans.

Project Descriptions

Economic Infrastructure Projects

Kampala Infrastructure (road rehabilitation). The project is intended as a follow-up to previous and ongoing rehabilitation and maintenance activities on Kampala roads. Implementation is planned from January '92 - March '94.

Maintenance of Northern Corridor Roads. The aim is the maintenance of previously reconstructed roads and assistance to the government in preparation of a maintenance plan. Implementation is planned from January '92 - February '95.

Northern Corridor Sub-regional Road Network Rehabilitation. The project is intended to rehabilitate prioritized roads linking Uganda with Zaire and Rwanda. Maintenance of the rehabilitated roads is planned to be included in the Northern Corridor Roads Maintenance Program (described above). Implementation is planned from February '92 - April '94.

The combined funding for the above projects is approximately 56 million ECU.

Social Infrastructure and Human Resources Development

Kampala Infrastructure (Water Supply System). The project is a follow-up to an ongoing water project. Government is due to present a financing plan for the Kampala water supply and extension. Implementation is planned from February '91 - January '94.

Health-Trypanosomiasis Control, AIDs, Rural Health. Follow-up activities to projects and possible expansion of projects into other geographic areas. New project activities are in planning stages with the government. Implementation is planned from March '91 - March '94.

Human Resources Development. The project is a study of past Euro Development Fund programs as well as the preparation of new program proposals. The program evaluation is intended to pay close attention to rehabilitation programs in progress at Makerere University. Implementation is planned from January '92 - February '94.

Informal Sector/Small-Scale Enterprises. The project will include a study of the informal sector, beginning in the first half of '91, as well as an evaluation of current small-scale enterprises. Proposed activities are planned to be included under PAPSCA/SDA. Implementation is planned from January '92 - April '94.

Economic Planning and Decentralized Cooperation. This is a long term program for decentralized planning which includes technical assistance, equipment and materials. The program will also include development of the previous pilot program. Microprojects and other economic research are planned to be in progress beyond the actual implementation dates. Implementation is planned from April '91 - February '95.

The combined funding for the above projects is approximately 27 million ECU.

Rural Production and Environmental Protection

Tea Production, Processing and Marketing. This is the follow-up to an ongoing project. The government is to adopt recommendations for the restructuring of the parastatal tea corporation. Implementation planned from January '92 - February '95.

Farming Systems Research, Production, Crop Diversification. An evaluation of the current ongoing projects is planned for 1992. The program will be a follow-up based on those evaluation results. Implementation is planned from March '92 - February '95.

Environmental Protection. The aim is to follow-up current programs for the rehabilitation and management of national parks and forests. New operations will be planned with consideration of the need to increase coordination of environmental protection programs. Implementation is planned from March '91 - January '95.

Livestock Development. An assessment in cooperation with the government to determine how best to support the sector, taking into consideration current activities. Implementation planned from January '92 - January '95.

Trade Development. The program will include technical assistance and training for the improvement of a data base. Focus on export diversification for trade development. Implementation planned from January '92 - February '95.

Total combined funding for the above projects is 47 million ECU.

Food and Agricultural Organization

Background

FAO's activities in Uganda focus largely on UNDP and UNFPA funded projects. Approximately 60% of FAO's current projects are funded by UNDP; currently three projects are funded by UNFPA. In addition, FAO has a Technical Cooperation Program (TCP), through which it applies funds and technical assistance to specific projects at the government's request. FAO's own funds are used for TCP projects.

FAO is also involved in TCP regional programs, which are funded by bilateral and multilateral donors. These programs impact other countries in addition to Uganda in East Africa, and are therefore termed regional programs. As TCP regional programs do not focus exclusively on Uganda, descriptions of those programs are not included in this narrative.

UNDP funded projects (see UNDP narrative for descriptions and funding levels).

Dairy Industry Development
Support to Wildlife and National Parks Management
Development of Horticulture Industry
Establishment of Plant Protection and Quarantine Services
Rehabilitation of Fisheries Statistics and Information System
National Census of Agriculture and Livestock

Other UNDP supported projects:

Agricultural Sector Planning. The project aim is to coordinate the work of the agriculture sector ministries, in order to increase their effectiveness.

Agricultural Extension Management. The project, which is a one year institutional support program, is nearing completion.

UNFPA funded projects (see UNFPA narrative for descriptions and funding levels).

Integration of Family Life Information and Education into Mass Media
Integration of Population Education in Department of Agriculture
Integration of Population Education in Women Action Programs

Technical Cooperation Program projects:

Village Mill Institution Programs. The project is designed for low-income women farmers in Tororo. FAO funding is $165,000.

Assistance to Control Animal Diseases in West Nile. The project is designed to supply equipment, vehicles and vaccines, working in cooperation with Lutheran World Federation for logistical support. FAO funding is $280,000.

Assistance for Small Scale Irrigation & Swamp Reclamation. The project funds a consultant to advise the government. FAO funding is $243,500.

Integrated Approach to Nutrition, Education and Training. The aim is to review curricula and develop training materials to include nutrition education for training institutions of all levels. FAO funding is $89,000.

International Monetary Fund

The IMF's focus of operations in Uganda is balance of payment support. Most assistance is provided directly to the Bank of Uganda, which is then responsible for allocation of funds. The IMF does not control the allocation process.

Most funds are, nonetheless, conditional. The IMF must be satisfied with the Bank of Uganda's macro-level policies for fund allocation, budgets and accounting, in order for Uganda to be eligible for continued funding. The process is basically as follows: the IMF gives approval for a loan, which is then deposited with the Bank of Uganda in phases.

The IMF is currently in the midst of the Enhanced Structural Adjustment Facility program for Uganda. The program began in 1989 and is scheduled to conclude in 1992. Most funds under ESAF were provided in the first and second years of the program. Assistance will decrease in the final year, but a definite figure is not yet available.

Approximate yearly assistance under ESAF is as follows:

1989 - 1990.....$98 million
1990 - 1991.....$92 million
1991 - 1992.....possibly $60 - 75 million

ESAF features a .5% interest rate on loans and allows 10 years for repayment. The main intent of ESAF is to assist government to conduct basic restructuring for long-term institutional development.

United Nations Development Programme

Background

UNDP programs in five-year intervals. It is currently concluding its 1987 - 1991 program. Total assistance for the five year program is $61 million. The main objectives of the five year program focus on increasing productivity in key economic sectors. The goals, as stated in the 1989 UNDP Report on Development Cooperation in Uganda, are:

A. "enhancement of planning, financial and human resources capacities;

B. provision of integrated support to rural development and agricultural productivity."

The project portfolio includes the following sectors: general development policy and planning; natural resources and environment; agriculture, forestry, fisheries and livestock; industry; transport and communication; international trade and finance; and social sectors. The following sub-sectors are included under the social sector heading: education; health; human settlements; employment; culture; humanitarian aid and relief; and science and technology.

Project Descriptions

Medical School Technical Cooperation Among Developing Countries (TCDC). UNDP is financing a TCDC agreement between Egypt and Uganda, in which Egypt provides 4 medical doctors to serve on

the medical faculty at Makerere University. The project has been extended through 1993. Funding for the project from 1989 - 1993 is $490,440.

Dairy Industry Development. The project lends technical assistance to the Dairy Corporation, assisting government in coordinating the planned rehabilitation of the dairy industry. Other donors include DANIDA, WFP and ADB. The executing agency for UNDP is FAO. UNDP's total commitment through 1993 is $4,969,154.

Low-Cost Housing - Namuwongo. This is a Kampala neighborhood project, intended as a pilot project to improve infrastructure, shelter and community facilities. The project is executed by Habitat. The total UNDP funding commitment is $1,593,870. Completion is planned for 1992.

Wildlife and National Parks. The project provides assistance to government to establish a solid base for management of wildlife and natural resources for environmental and local benefit. The aim is to protect target areas and issue legislation for their continued protection. Pilot projects are being implemented in Queen Elizabeth Park, Murcheson Falls and Kidepo through 1992. The executing agency is FAO. Total funding is $3,045,745.

Feeder Roads. This project is being implemented in six districts in southwestern Uganda: Masaka, Mbarara, Rakai, Bushenyi, Kabale and Rukungiri. The project, which includes rehabilitation and maintenance of feeder roads, runs from July 1988 - 1992. Funding is $15 million from UNCDF and $4 million from UNDP.

Agricultural Tools - Soroti. This project was suspended dor security reasons, but is due to re-start later in 1991. The aim is to expand the Soroti implements workshop manufacturing capacity as well as machinery. Funding is $2.4 million from UNCDF and $1,382,100 from UNDP.

Tourism Development and Planning. This project will conclude in July 1991 and be reformulated following completion of a tourism sector plan. Total UNDP funds are $665,775.

Horticulture Industry. This project is being implemented at Kawanda Research Station. The aim is to increase production of selected horticultural crops and thus assist to diversify the export base. UNDP funding is $3,176,964.

Plant Protection. This project is being implemented at the Kawanda Research Station. The aim is to increase plant resistance to disease, prevent pests and diseases, and develop the capacity to detect pests and diseases. The executing agency is FAO. Funding is through 1992, totaling $1,163,015.

Fisheries Statistics. The aim is to increase information systems and fisheries statistics, as well as formulation of development and management plans for fisheries on Lake Victoria, Lake Edward and Lake George. Completion is planned for September 1991. The executing agency is FAO. UNDP total funds are $1,616,832.

Makerere Planning Office. The project is a collaboration with the World Bank. The aim is to produce a program through which to coordinate all assistance to Makerere University. UNDP funding is $800,000.

Agricultural Census. The goal is a national sample census of agriculture and livestock to begin the process for keeping permanent food and agriculture statistics and information systems. The project runs from July 1988 - July 1992. The executing agency is FAO. UNDP funding is $3,833,670.

Economic Planning and Aid Coordination. The goal is the establishment of planning methodologies and a data base for aid coordination. The project runs from July 1988 - July 1992. The executing agency is the World Bank. UNDP funds are $4,088,960.

Transport Policy and Planning. The aim is to produce a master plan for investment information and the establishment of a new institutional framework in the transport sector. The project will begin in September 1991. The executing agency is the World Bank. UNDP funds are $1.5 million.

External Sector Development. The project intends to provide trade policy advice to the Ministry of Commerce. As the ministry is being restructured, the project will be phased out and reformulated at a later date. UNDP funds are $694,000.

Basic Education for National Development (BEND). This project will begin in September or October 1991. The aim is to create a national integrated primary school curriculum and improve the Ministry of Education's capacity to manage that new curriculum. UNDP funds are $338,730.

Umbrella Project for Women in Development. The project's aim is to sensitize 25 staff members in the Ministry of WID to development and its relation to gender issues, from project planning stages through implementation and evaluation. The project also aims to mobilize funds for women's projects. UNDP funding is $809,243.

Consultancy Services. The goal of the project is to attract Ugandan nationals living abroad to return to Uganda on a consultancy basis. Participants receive plane fare to Uganda and $1500/month for services. To date there have been 12 participants and 10 participants are scheduled for the program. The executing agency is the Government of Uganda. UNDP funding is $575,200.

Rehabilitation of the Department of Surveys and Mapping. The aim is institution building within the department. This includes complete rehabilitation of the department's technical capacity to carry out its tasks (dissemination of spatially oriented data in graphical form; updating of national topographical data base; topographical mapping; photogrametic methods training and instruments). UNDP assistance is $1,932,069.

Population Census. This project provides the computerization component of the population census project being conducted by the UNFPA. The project includes development of a population data base. Completion is planned for late 1991. UNDP funds are $949,996. The executing agency is DTCD.

Civil Aviation Authority. The aim is to establish an autonomous and financially independent civil aviation authority. The project conducts management training and provides technical services. It is also intended to develop an overall plan for the operation of Entebbe Airport. UNDP funding is $2,659,197. The executing agency is the International Civil Aviation Organization.

Meteorological Services. The project provides technical advisory services to the Ministry of Environmental Protection and rehabilitation of the department of meteorology, in order to improve the department's capacity to provide information for research and agriculture.

_____ Project to improve the Research and Planning Department in the Ministry of Commerce, in order to increase collections and revenues. The project has 3 ongoing units, executed by UNTACD, ITC and UNIDA. UNDP funds total $2 million over 3 years.

AIDS Control. UNDP provides logistical support and consultancy services for the establishment of an AIDS secretariat among UNDP, WHO, UNFPA, USAID, World Bank, and the Government of Uganda. UNDP funds are $614,000.

Uganda Commercial Bank. The aim is to develop a computerization program and improve the UCB management information system. The project includes expansion of UCB's rural farmer's credit scheme and increasing the bank's capacity to process and manage loans to rural farmers. UNDP funds are $2,070,008.

Assistance to the Department of Economics. Project being done in collaboration with the EEC. The aim is to develop an MA program in Economic Policy and Planning at Makerere University. The project begins in April 1991. UNDP funding is $560,000.

Other UNDP Projects:

Title	UNDP funding
External Debt Control & Regulation	$218,915
Tsetse Control (project completed)	$415,170
Transport Strategy (project complete)	$1,478,100
UNV Assistance	$507,200
AIDS Training Materials (Project complete)	$632,126
Masulita Training Center	$237,460
Hotel Training Center (near completion)	$1,271,577
Civil Service Commission (project complete)	$600,000
Ag. Sector Planning	$285,400
Ag. Extension (near completion)	$453,037
Shelter Strategy (complete in 1/92)	$372,300

United Nations Family Planning Association

Background

UNFPA is currently in the midst of its 1988 - 1993 country program. The main program goals are: to enable the government to increase the family planning acceptance rate; integrate population factors into national planning; develop a national policy on population; and promote the socio-economic status of women.

Total assistance for the 5 year program was initially budgeted at US $16 million, $7.6 million of which was committed from UNFPA's own resources. UNFPA projects that as costs rise in the duration of the program, the figure for total assistance could increase to approximately $20 million. UNFPA will seek multilateral and bilateral funding sources for the balance of funds if unable to cover the balance with its own funds.

In the current country program UNFPA is working with the following agencies for project implementation: Government of Uganda, United Nations, International Labor Organization, FAO, UNESCO, WHO and Int'l Planned Parenthood Federation. Under the current program UNFPA has 15 projects in progress, with sectoral emphasis primarily in population, women in development, health and education.

All UNFPA projects have both overseas and local participant training opportunities. The projects also feature a high level of technical assistance; each project has local and international technical advisors.

Project Descriptions

National Population and Housing Census. This is a national program funded at $5.6 million through 1993. In the first country program (through 1987) UNFPA intended to assist with processing, analysis and dissemination of data collected in the 1980 population census, approximately 85% of which was lost. Thus, the current program is a means of updating as well as replacing population information.

Strengthening of Demographic Training and Research at Makerere University. The project aim is to continue the demographic training program which began under the first country program. Specific objectives are to increase the number of course offerings in demography at the undergraduate level (specifically courses in population and development, and demographic analysis), as well as to train more Ugandan nationals to teach demography at the university. The MA demography program established under the first country program would be strengthened through the establishment of workshops and seminars on population for program managers, technicians, sectoral planners and policy makers. The project is further intended to assist government in research and planning through the MA program. The project is executed by the UN and implemented by Makerere University. UNFPA funding is $675,000.

Integrated District Population Program. The project is intended to establish a subcommittee on population, (through coordination by the District Development Committees and a population officer), in the following districts: Arua, Moyo, Hoima, Bushenyi, Mubende, Mukono and Tororo. Each subcommittee is responsible for formulating its own district action plans and implementation strategies, mobilizing resources and reporting on implementation progress to the Ministry of Planning and Economic Development. The project is implemented by MPED with assistance from the Ministry of Local Government. ILO is the executing agency. UNFPA funding is $1 million.

National Population Policy and Development Planning. The project is intended to create a Population Secretariat and Population Council during its initial phase, supported by the education of national and sectoral planners in the relationship between population and development, as well as in the use of demographic data for development planning. The project also aims at creating intersectoral linkages among all key ministries and institutions. The project will also assist the government is establishing a population databank. Total committed funds are $1.2 million, $600,000 of which are UNFPA funds. The executing agency is the ILO.

Population Education in the Formal School Sector. The project is intended to integrate population and family life curricula into the formal school system, and form a population education panel to develop a population education curriculum for approval by the National Council for Education. The project is being implemented in 8 districts, reaching all 6th and 7th grade students in 80 primary schools, all class 1 - 4 students in 40 secondary schools, and all pre-service teachers in nine teacher training colleges. The aim is to integrate population education concepts into science and social science classes

at the primary level, and into biology and geography classes at the secondary level. 550 school teachers and 20 school administrators are planned to receive a short training in the design, management and implementation of population education programs, and instructional materials will be developed for their use. Total funding is $1.2 million, $700,000 of which is from UNFPA funds. The project is being implemented by the Ministry of Education and executed by UNESCO.

Integration of Population/Family Life IEC Services into Agricultural Extension Programs. The aim is to increase knowledge and awareness among rural families and communities regarding the relationship between population and socio-economic variables that influence fertility behavior. The project is being implemented in Arua, Moyo, Hoima, Bushenyi, Mubende, Mukono, Iganga and Tororo. Total funding is $700,000.

Integrating Family Life IEC Services Into Educational Mass-media programs. MOIB to receive support to conduct research on information needs, communication goals and strategies. Support will also be used to develop, test and produce IEC messages and materials for non-formal education and community mobilization programs. The project will also assist MOIB to integrate population and family life IEC into training for journalists at MOIB's School of Mass Communication. The project is being implemented in 8 districts: Arua, Moyo, Hoima, Bushenyi, Mubende, Mukono, Iganga and Tororo. Funding is $900,000, $600,000 of which is from UNFPA funds.

Population and Family Life Education in the Organized Labor Sector. The aim is to train approximately 1,000 nationals to conduct, on a continuing basis, family life and IEC services at institutions and work places. The project includes the sensitization of approximately 5,600 employee and trade union leaders and officials to population/family life issues, as well as creating awareness of those issues among 150,000 unionized workers in 15 trade unions. The project is being implemented in Tororo, Jinja, Mukono, Mubende, Kampala, Kasese, Fort Portal, Masaka, Mbarara and Bushenyi. The project is implemented by the Ministry of Labor and executed by the ILO. Total funding is $850,000.

Development of Policies and Program on Women. The project aim is to improve the quality of life for women by providing government with recommendations for devising a national policy on integrating women into development activities. The project's first year included a field survey on social, cultural, economic, health-related and demographic variables that affect women's development; followed by a national workshop for sectoral planners and experts. The workshop would make recommendations and guidelines for action plans on women's programs. This would be followed by workshops in 8 districts: Arua, Moyo, Hoima, Bushenyi, Mubende, Mukono, Iganga and Tororo. The district workshops would review the recommendations and devise specific action plans for each of the eight districts. The following three years of the project include the implementation of those action plans on a pilot basis. Implementation is to be evaluated in the final year, followed by a national seminar for policy makers, at which time the evaluation results will be considered and recommendations made for a national policy on women in development. Total funding is $1 million, $400,000 of which is from UNFPA funds. Implementation is through the Ministry of Local Government, execution is by FAO.

Strengthening of National MCH/FP (Maternal and Child Health/Family Planning) Services. The goal is to support the government in reducing the population growth rate. Specific objectives are: to install equipment and personnel necessary to provide daily full MCH/FP{ services in 10 districts: Arua, Moyo, Bushenyi, Hoima, Mubende, Mukono, Iganga, Tororo, Kampala and Mpigi. The project will expand to other districts, but activities will be intensified in the initial 10 districts. The project will work through 23 hospitals, 31 health centers and 25 maternity units. The aim is to recruit 250,000 family planning acceptors to increase the contraceptive prevalence rate from 3% to 20%, and double the number of

attended deliveries, from 25% to 50%. In order to strengthen community based service delivery the project plans to train and equip 1,200 traditional birth attendants in conduct of safe delivery of births and referral of high-risk cases. Total funding is $3.2 million, $2 million of which are UNFPA funds.

Safe Motherhood Initiative. The project is being implemented in Lira, Iganga, Mubende, Masaka and Kabale. Funding is $250,000. The project includes RC level seminars, village level seminars and discussions. Training is done in conjunction with the MCH/FP project and includes information on monitoring of pregnancies and nutrition training.

AIDS Prevention and Control. Funded at $200,000 for two years. The project is being implemented by NGOs through the Ministry of Health network. Training is intensified in, but not limited to, the following ten districts: Arua, Moyo, Bushenyi, Hoima, Mubende, Mukono, Iganga, Tororo, Kampala, Mpigi. The MCH/FP structure is providing training, supplies, gloves, condoms, etc. The target group is unlimited. Strong emphasis is placed on prevention through IEC (information, education and communication).

Strengthening of HIS (Health Information Systems) in MCH/FP. Implemented through the MCH/FP project. Total funding is $250,000.

Enhancing Women's Status Through Heifer Ownership. The project is being implemented in a collection of villages near Jinja. Funding is $500,000, which is intended to be an initial input, following which it is expected that the project will achieve self-sufficiency.

UNICEF

Background

UNICEF is currently in the second year of its 1990 - 1995 five year plan. As a result of 1990's annual program review, UNICEF is focusing on assisting the government to:

- strengthen primary health care through continued development of policy and implementation strategies.
- strengthen sustainability of project activities.
- improve integration of project and program activities.
- continue to promote centralization of authority to the district level.

UNICEF's sectoral emphasis is on health, water and sanitation and communications. The total country program funding for 1991 was $17,868,025. The planned 1992 budget for the country program is $16,932,000. The total budget for the health sector for 1991 totaled $7,578,175. The total planned budget for health sector activities in 1992 is $6,750,000. Total funding for the Southwest Integrated Program in 1991 was $4,613,300. The total planned budget for 1992 is $5,417,000. Individual activities are small.

Project Descriptions - Health Sector

Uganda National Expanded Program on Immunization. A national project intended to improve immunization services by reducing the drop-out rate of participants, motivating health personnel, adding supervision and providing health education training. UNICEF funding for 1992 is $3,325,000.

Control of Diarrhoeal Diseases. The project emphasizes household level therapy for diarrhoeal diseases and focuses on the role of traditional healers. It emphasizes correct case management at the health unit level. Training in use of oral rehydration salts and promotion of preventive care are also included. Funding is by USAID and UNICEF. The UNICEF funding for 1992 is $178,500.

Uganda Community Based Health Care Association. UCBHCA is intended to be a liaison between government and NGOs working in CBHC. The aim is to improve communication and establish a community based monitoring system. The UNICEF budget for 1992 is $178,500.

Child Health and Development Center. The project includes research, training and community mobilization. Implementation is at Makerere University. The UNICEF 1992 budget is $335,500.

Transport and Equipment Maintenance Organization (TEMO). The aim is to set up a revolving fund for spare parts, identify viable district based repair activities, develop procedures and consolidate mobile repair and maintenance services. The UNICEF 1992 budget is $288,000.

Health Information System. The aim is to develop a feedback system for use of analyzed data at the district level. The UNICEF 1992 budget is $128,000.

Children in Difficult Circumstances. Support to NGOs with expertise in emergency operations: SCF, Oxfam and MSF. Planned budget for 1992 is $110,000.

Health Financing Initiative/District Health Management. The aim is to promote primary health care policy development and strengthen district health teams to plan and manage health activities. Other donors include IBRD, WHO and SIDA. The 1992 budget is $385,000.

Water and Sanitation Sector

Handpump Replacement and Community Based Maintenance. The project will replace UI handpumps with UIII handpumps, and repair UII pumps in Lira and Apac. The plan is intended to spread to Kabarole, Bundibugyo, Hoima and Masindi. Plans may also begin for Mubende and Nebbi. UNICEF's planned budget for 1992 is $1,256,000.

Springs/Wells/Gravity Schemes/Rainwater Catchment. The project will protect 442 springs and conduct surveys of two gravity flow schemes. The project will also test 270 samples from the protected springs. Emphasis is on social mobilization, health education and beneficiary involvement. Funding is by USAID and UNICEF. UNICEF's budget for 1992 is $1,118,000.

Sanitation. The aim is to provide districts various options for latrine technology and create awareness of environmental sanitation. UNICEF's planned 1992 budget is $169,000.

Southwest Integrated Program

Community Based Health Care. Support active CBHC communities, work with district and national authorities to pursue policy and staff training to give follow-up support to CBHC communities. UNICEF's 1992 budget is $940,000.

Social Mobilization/Community Based Maintenance System. Political advocacy for CBMS and establishment of district institutional framework to support CBMS. The project will also study

community financing of rural water supplies and provide refresher training for caretakers, pump mechanics and committees. The planned UNICEF budget for 1992 is $500,000.

Borehole Drilling. Drilling is to continue in Rukungiri and begin in Kasese. Plans to transfer to Masaka, Rakai, Mbarara. The budget for 1992 is $3,070,000.

Gravity Flow Scheme. Development of gravity flow schemes in regions lacking springs or boreholes. Ensure maintenance, community involvement and integration of sanitation into projects. UNICEF's planned budget for 1992 is $460,000.

Handpump Replacement. Review and strengthen CBMS strategies and retrain pump mechanics. The 1991 UNICEF budget is $192,000. The project has recently been evaluated.

Spring Protection and Shallow Well Construction. Expand spring protection to Masaka and Rakai. Funding is by UNICEF and NGOs to be identified. The UNICEF budget for 1992 is $264,000.

Sanitation. Expand program into Rukungiri, Kabale and Kasese. UNICEF's budget for 1992 is $183,000.

Communications Sector

Health Education Network. Improve performance of health educators in the field through supervision, in-service training and intensive health education exercises. Other donors include TFCS, WHO, and IBRD. The UNICEF budget for 1992 is $1,320,000.

School Health Education. Consolidation of activities at the prim-ary school level, with emphasis on AIDS prevention education. Funding is by WHO and UNICEF. The UNICEF budget for 1992 is $1,069,000.

Support to Orphans. The principal donors are USAID, UNICEF, SCF, World Vision, Redd Barna and the World Bank. The aim is to develop and identify optimal community based interventions for most vulnerable children. The planned UNICEF 1992 budget is $250,000.

World Bank

Background

With total annual lending at $250 million through the soft-loan IDA (International Development Agency), the World Bank is the largest donor in Uganda. 60% of the total lending is applied to infrastructure development and rebuilding; 40% is in the form of "quick disbursing operations." The Bank focuses its lending on large rather than small-scale projects.

The specific sectors in which the Bank is lending support are agriculture, education, energy, health, industry, macroeconomics, telecommunications, transport and water & infrastructure. There are currently 24 ongoing projects among all of the sectors. The agricultural sector has the greatest number of ongoing projects (9), followed by the macroeconomic sector (5). The transport sector has 3 ongoing projects, followed by energy, industry and
water & infrastructure, each with 2 projects. The health, education and telecommunications sectors each have one project.

Currently there are a total of 10 projects in the pipeline; all sectors have at least one project in the pipeline for implementation between 1991 and 1993.

The IBRD's main area of interest in Uganda is in supporting government reform efforts. The Bank's objectives are to promote sustainable growth and make certain that the government is pursuing sound macro economic policies. IBRD's specific long-term goals in Uganda are as follows:

- capacity building in the public sector;
- lowering the rate of inflation;
- price stabilization;
- creating improved incentives for exports.

In pursuit of these broad goals, the World Bank is working closely with the Ministries of Planning and Finance on the specific issues of tax reform, investment procedures and policies, civil service reform, and monitoring of the Departed Asians' Property Custodial Board activities.

According to the Bank, for the last two to three years in Uganda its focus has been primarily on stabilization. It does not believe, however, that stabilization without growth is beneficial to the economy. Therefore, the Bank plans to continue to pursue stabilization, but also to simultaneously encourage economic growth.

FY Start Date	Project Title	Total Amount (US$ millions)
Agriculture Sector Programs		
83	Agricultural Rehabilitation	$ 70
85	Agricultural Development (north and northeast)	10
87	Forestry Rehabilitation (national)	13
88	S.W. Region Agricultural Rehabilitation	10
88	Sugar Rehabilitation (Kakira Sugar Works)	25
91	Livestock Services (southwest)	21
91	Agriculture Sector Adjustment Credit	100
Education Sector Programs		
89	Education IV (national, Ministry of Education)	$ 22
Energy Sector Programs		
85	Power II (rehab. of Owen Falls Dam, Jinja)	$29
85	Petroleum Exploration Program (Dept. of Geological Surveys & Mines)	5
Health Sector Programs		
89	First Health (national, Ministry of Health)	$43

Industrial Sector Programs

82	Industry Rehabilitation (credit to UCB and UDB)	$35
89	Public Enterprises (Ministry of Finance)	15

Macroeconomic Sector Programs

84	Technical Assistance II (National, MPED)	$33
88	Economic Recovery I (complete)	130
89	Technical Assistance III (National, MPED)	
90	Economic Recovery II	125
90	PAPSCA (National, MPED)	28

Telecommunications

90	Telecom II (national, Post Office)	$52

Transport

84	Highway III (national, Ministry of Works)	$58
87	Highway IV	18
89	Railways I (institution building within railway corporation)	7

Water & Infrastructure

90	Water Supply II (5 towns, Ministry of Planning)	$60
91	Urban I (Kampala City Council/ Ministry of Local Government)	29

Projects in the Pipeline

FY93	Agricultural Technology and Training
FY93	Agricultural Credit
FY92	Education V
FY92	Power III
FY93	Health II
FY91	Enterprise Development
FY93	Industrial Restructuring
FY91	SAC
FY91	Transport Sector Rehabilitation
FY93	Rural Water

World Health Organization

Background

WHO is a program oriented technical assistance agency. WHO is currently in its 8th General Program of Work (1990 - 1995). This is the international WHO program which is a comprehensive document addressing world health problems. Within Uganda the program manifests itself in biannual discussions for large scale planning and annual meetings for program specific detailed planning.

The three main areas of focus for WHO are development of health systems (particularly health planning and primary health care), development of human resources for health and finally, disease prevention and control. Within the first area WHO is actively working for a Malaria Plan of Action with the Ministry of Health, as well as a workshop which will take place in August '91 focusing on multisectoral approaches to primary health care.

Within the area of development of human resources for health, WHO is involved in collaborative programs with the medical schools at Makerere University and Mbarara, institutional development at the Institute of Public Health at Makerere University, and collaboration with medical associations.

The collaborative programs with the medical schools include technical training, visiting professors, provision of minor equipment, consultants for needs assessments, and curriculum development.

In the area of disease prevention and control, WHO is working to combat malaria, meningitis, and rabies. WHO is also involved in the UNICEF funded Expanded Program on Immunization (EPI), as well as Control of Diarrhoeal Diseases (CDD). WHO's inputs into these programs are generally on a technical advisory basis.

Programs

Maternal and Child Health and Family Planning (MCH/FP). WHO is executing this UNFPA funded program. * See UNFPA narrative for project details and funding levels.

Research Program and Training on Human Reproduction. Funded at $100,000.

Research on Tropical Diseases. Funded at $70 - 80,000.

Essential Drugs Program. WHO is lending technical assistance to DANIDA.

AIDS. The project is staffed by one team manager, one epidemiologist, a laboratory specialist based at the Nakasero blood bank and a health education and behavioral specialist.
WHO is submitting a project document to the donor community to fill the funding gap of approximately $3 million, which exists between the WHO committed funds of $935,000 and the total estimated cost of $4 million.

Bilateral Assistance

Canada

Available figures for Canadian assistance to Uganda represent 1990 funding levels. Total assistance is approximately $21 million Canadian dollars. Funding is provided on a bilateral basis, as well as applied toward multilateral donors. In 1990 bilateral aid totaled $8.1 million Canadian dollars; contributions to multilateral donors totaled approximately $12.8 million Canadian dollars.

Canadian assistance includes a Canada fund, which totaled $.281 million in 1990. The Canada fund is applied to small projects, including maize milling, oil extraction, TASO (The AIDS Support Organization), UWESO (Ugandan Women's Effort to Save Orphans), and women's credit groups. The small projects tend to focus on women in development efforts. It is estimated that in 1991 - 1992 approximately $500,000 will be applied to these small projects.

Canada also provides funds for I.C.D.S. at Makerere University ($.18 million), business cooperation ($.29 million), humanitarian aid ($.14 million), NGO food aid ($.15 million) and NGO programs ($.64 million).

Multilateral cooperation includes assistance to international funding agencies ($6.37 million), multilateral food aid and WFP ($3.44 million), other multilaterals ($2.96 million).

Denmark

Background

Danida's work in Uganda is in the following sectors: agriculture, environment, industry, health, transport & communications, infrastructure and finance. The annual budget is approximately DKR 200 - 250 million. All funds are given strictly on a grant basis.

Project Descriptions

Agriculture, Industry and Infrastructure

Grain Storage Master Plan Study. The aim is to establish a master plan to develop facilities for cleaning, drying, handling and storage of grain.

Rehab of Feed Mill in Jinja; Rehab of Maize Mill in Kawempe. The projects are being executed by Uganda Grain Milling Co., Ltd. The projects include rehabilitation of the two mills and construction of a storage facility at Kawempe. The project, funded at DKR 28 million, is complete.

Rehab of Two Wheat Mills. A study will be undertaken to assess project feasibility and the requirements for rehabilitation of the two mills.

Silo Complex in Jinja & Storage Complex at Kyazanga. The goal is construction of both facilities, execution by the Produce Marketing Board. Completion of both structures has been delayed. The grant is approximately DKR 53 million.

Rehab of National Dairy Training Center - Entebbe. Rehabilitation of the training center is complete. Funding is approximately DKR 11 million.

Emergency Supply of Spare Parts to Kigezi & Toro Dairy Cooperative Societies. The project is complete and was implemented by the Dairy Corporation. Total funding is approximately DKR 60,000.

Farm Forestry Project. By IDA and the Ministry of Environmental Protection, the Forestry Department and CARE. The aim is to assist small farmers to achieve surplus production of tree products and avoid soil erosion. Danish involvement includes building staff houses, stores and offices, as well as procuring vehicles and tools and providing local staff salaries. The Danish grant is approximately DKR 52 million.

Industrial Sector

Rehab of Port Bell Railway and Ferry Terminal. Implementation by Uganda Railways Corp. The aim is to construct 9 K of railway line from Kampala to Port Bell, as well as construct a new ferry port at Port Bell. Approximate cost is DKR 90 million.

Health Sector

Uganda Essential Drugs Management Program (UEDMP). Implementation by the Ministry of Health, Ministry of Local Government and the Danish Red Cross. The aim is to improve Uganda's primary health care through essential drug kits in health centers and rural clinics. Includes planning, purchase, storage and delivery of kits. The Danish grant is approximately DKR 99 million.

Uganda National AIDS Control Program. Program support to the NACP is channeled through WHO in Geneva. The Danish grant is approximately DKR 1 million.

Mukono District Health Services Project and Environmental Health Unit. Implementation by AMREF, in cooperation with the Ministries of Health and Local Government. The main goal is to design and implement appropriate application of the national primary health care program in Mukono. The project includes promoting community based health care, rehabilitation of Kawolo Hospital and selected rural health units and development of an environmental health program for safe water, sanitation and food. Funding is approximately DKR 18.7 million for the Mukono project and DKR 4 million for the Environmental Health Unit at Entebbe.

Rural Water & Sanitation East Uganda Project (RUWASA). Implementation by the Water Development Department . This is a pilot project to develop methods to implement sustainable water schemes. The project will provide increased amounts of drinking water to two sub-counties in Mukono and Kamuli. The pilot project is now complete and will be expanded. The extension will be funded at approximately DKR 11.8 million.

National Rural Water Supply Program. Implemented by a Danish consulting firm in cooperation with the Ministry of Water and Mineral Development. The aim is to develop a 5 year program for rural water supply sector development, as well as investment planning with integration of sanitation and health education. The final draft of the report is now being shared with and commented on by the Government of Uganda and donors. Those comments will be worked in to a final policy paper on rural water supply.

Education Sector

Rehabilitation of Primary Schools. Implementation by the Seventh Day Adventist Church of Uganda through Adventistsamfundet Denmark. The project includes rehabilitation of seven primary schools in Kabarole and Kasese. The project is near completion. The total grant is approximately DKR 3.5 million.

Small Home for Physically Handicapped Children. Implementation by the Uganda Society for the Physically Handicapped. The aim is to build a small home near a normal school, in order for handicapped children to pursue standard lessons and school life. The building is complete. The grant is approximately DKR 190,000.

Women in Development

Program for WID. Implementation by the Ministry of WID. The aim is to strengthen management and effectiveness of the ministry. The Danish grant is DKR 15.4 million.

Masese Women's Self-Help Group. Implementation by Shelter Afrique through the African Housing Fund. The aim is to improve the standard of living for Masese's 700 poorest families through development of income generating activities for women, establish a housing upgrading plan for families and community based service programs. The grant is approximately DKR 6.8 million.

Balance of Payment Support

Supply of 5,200 Tons of Steel for Hoes. Implementation by the Ministry of Industry and Technology in a loan agreement with the Chillington Tool Co. The aim is to provide hoes for small scale farmers. Profits from the sale of hoes is lent to farmers through UCB, under the rural farmer's scheme. The grant is DKR 25 million.

Grant to East Africa Development Bank. The initial grant of DKR 12 million has been disbursed.

Cement Import from Tanzania. Implementation by UDC and Uganda Cement Industries. The aim is to import 120,000 tons of cement as commodity aid to the Government of Uganda over three years, to assist with closure of Hima Cement for rehabilitation. The estimated cost is DKR 84 million.

Support for Economic Recovery Program. Ministry of Finance, Bank of Uganda. Joint financing with IDA. The aim is to provide funds for necessary agricultural and industrial imports. The Danish grant is DKR 42 million.

Ministry of Karamoja Affairs. Ministry of Karamoja Affairs in cooperation with Lutheran World Federation. The aim is to introduce sedentary agriculture and small scale industry to the nomadic population in Karamoja. Instability has been an obstacle, but some activities are ongoing, such as distribution of seedlings, plough sales, cultivation of land, borehole drilling, extension service and women's & men's groups. The estimated cost is DKR 13 million.

France

Background

French aid is administered through two separate embassy desks, the French Embassy's Cultural and Commercial Attaches. The cultural attache oversees projects in the health, education and public administration sectors; the commercial attache oversees all commercial and private sector assistance. All French assistance to Uganda is in the form of grants. Programs under the cultural attache total approximately F.Fr. 8 million yearly. Private sector programs are currently funded for a total of F.Fr. 80 million.

Project Descriptions

Health:

Eradication of Sleeping Sickness & Tsetse Fly Control. The project began in '87. It was funded by France in the first year, and in subsequent years has received EEC funds. Total combined funding to date is ECU 600,000.

Grant to Mbarara Hospital to conduct training in blood screening for physicians and technicians in blood screening. The total grant is F.Fr. 400,000.

Public Administration:

Anti-riot training for Uganda police has recently concluded. The project conducted two 3-month training sessions for two police units in anti-riot techniques and equipment. The two trained units are to train another ten units. Funding for the project totaled F.Fr. 1.7 million.

Funding for French experts to conduct training for 1 - 2 months at Kampala's Institute of Public Administration. Funding under the grant also provides 2 - 3 yearly scholarships yearly for Ugandan nationals to receive public administration training in France. These scholarship programs have been in effect for approximately 2 years, with funding at F.Fr. 300,000 yearly.

Scholarship for hotel and restaurant management training. Five scholarships are provided yearly for training in France. Funding is F.Fr. 800,000 yearly.

Education:

French language training at university and teacher training levels. Since 1990 France has funded one lecturer in French at Makerere University and two lecturers at the Polytechnic Institute. Small grants also exist for training at the Institute of Teacher Education at Kyambogo.

French language training in secondary schools. A program for French language training is being established in 6 secondary schools. The program focuses on the 6 schools as a pilot project, which if successful, will be expanded to a greater number of schools. The program includes training for Ugandan nationals in France.

Cultural Activities:

Alliance Francais for the teaching of French language and sponsoring of cultural activities including films and lectures.

Funding for two Ugandan singers to receive voice training in France. Total funding for their program is F.Fr. 120,000.

Commercial Sector Activities:

Four French companies are conducting projects with French government funding. Total grants for the four projects are F.Fr. 80 million; each project has a total grant of F.Fr. 20 million.

- SOGEA is conducting a water supply project in Katwe, Rakai and Bushenyi. The project focuses on the installation of pumps and basic apparatus to provide water to the three districts. The project is scheduled to complete at the end of '91, but an extension is possible after an evaluation.

- ALSTHON is a French locomotive company conducting a railroad car rehabilitation project in Kampala. The project goal is to rehabilitate 14 railroad cars, and it is nearing completion.

- BRGN (Bureau of Geographical Research) is conducting gold exploration and laboratory analysis in Busia, as well as a feasibility study for rehabilitation of a cobalt mine in Kirembe, near Kasese.

- ALCATEL is a telecommunications company which will be installing a telephone line from Kampala to Kasese. Implementation is scheduled to begin in July '91. Until now Alcatel has worked on development of international telephone lines for Uganda.

The only new grant in '91 was funding for the provision of emergency room medical equipment at Mulago Hospital. The total grant is F.Fr. 7 million.

Germany

Background

German aid to Uganda takes the form of financial and technical assistance. The total annual commitment is DM 40 million, DM 30 million of which is applied to financial assistance, the remaining DM 10 million of which is applied to technical assistance. Projects under the financial assistance heading are generally large-scale projects in infrastructure development and maintenance. Technical assistance is provided through GTZ, German Technical Cooperation, a private firm working with German government funding. In addition to the annual DM 40 million, government funds are provided to approximately ten foundation, including the Ebert and Adenaver Foundations, for small project implementation. All funding for German aid to Uganda is provided through the German government. With very few exceptions, all assistance is given on a grant basis.

Project Descriptions

1. Financial Assistance

Road rehabilitation, phase II. This project is a continuation of a previous road rehabilitation project in Eastern Uganda, specifically Jinja, Malaba, Busia and Tororo. A maintenance project is planned for the future, however, project details are not yet available. Total funds committed for the project are DM 13 million.

Rehabilitation of Central Storage. The project is at the stage of working to identify an engineering consultant for structural rehabilitation of the facility in Gulu. Total funds committed are DM 5.5 million.

Uganda Railways Corporation, Phase III & IV. The project aim is to improve the overall performance at the URC Nalukolongo workshop. For financial viability of URC, the government of Uganda is to support URC to work on commercial principles to generate increased revenues; explore possible elimination of services provided at a loss unless government is willing to subsidize those services; and, establish an aggressive debt collection policy. Phase IV is planned to conclude in 1995, although the completion date is not definite.
The total commitment for both phases of the project is approximately DM 30 million.

Commodity Aid VII. The aim is to allow government to finance import needs in hard currency, as well as not restrict government to using German materials and equipment in return for assistance.
Total commitment is DM 9 million.

Structural Adjustment Program. This is the subsequent phase of the commodity aid project. The program is designed to follow the World Bank's Economic Recovery and Cooperation II (ERC II). The program has two funds, with DM 20 million committed to Fund I, and DM 10 million committed to Fund II. Approximate disbursements to date are DM 23 - 24 million, which is being applied toward raw materials, spare parts and equipment.

Study and Expert Fund. This project provides financing for project feasibility studies. Studies will be conducted in the following areas: rehabilitation of roads and bridges; road maintenance progress in Eastern Uganda; feasibility of re-engine program for URC locomotives; study of the Nakawa container terminal; and vehicle ferries across Lake Victoria, from Kisumu to Masaka. A total of DM 6 million is committed for three phases.

Water Supply and Sewerage Rehabilitation Program in Rural Centers. The project is in the very early stages; a consultant for planning and supervision has recently been selected. The funding commitment is DM 12 million.

Road Maintenance, Eastern Uganda. The program has had some difficulty starting. The aim is to use private contractors in a performance oriented system for road maintenance. The project is intended to be implemented in Tororo, Jinja, Mbale and Busia. The funding commitment is DM 6 million.

Rehabilitation Program for Road Bridges. The program is intended to eventually be country-wide, but it is currently operating only in western, eastern and southern districts, due to instability in the north. The project is not operating in the West Nile area, but expansion to that region is a possibility. The

project currently involves the rehabilitation of 23 major bridges and a large network of small bridges. The total funding commitment is DM 10 million.

Development Finance Company of Uganda, DFCU. Funds will go in the form of loans to private local investors, small and mid-size companies. No loan may be greater than DM 1 million, but investors are free to make use of other available funding sources. The project is geared toward food production and processing, and horticultural products. The total funding commitment is DM 4 million.

Supply of Telex Exchange System for Uganda Post & Telecommunications Corporation. This grant funds the purchase of equipment and spare parts, as well as technical training provided by a private German firm. The total commitment is DM 4.4 million.

South Western Transmission Line. The German funded portion of this project includes work on the Mbarara - Nkenda section of the transmission line to improve the electricity supply to the West, particularly to the Hima Cement Co. Other donors to the project include the World Bank and the African Development Bank. The German funding commitment is DM 16 million. An additional DM 9 million is committed but the funding source has not yet been determined.

Future commitments for financial assistance may include the following projects:

- Mbarara - Nkenda Transmission Line
- Road Maintenance
- Bridge Rehabilitation
- DFCU
- Structural Adjustment Program III

These projects are proposed, but not yet approved or funded. These decisions will be made in July 1991.

2. Technical Assistance

Project Descriptions

Promotion of Veterinary Services (Animal Health Research Center). Project funds are being used for vaccine production. The total commitment is DM 5.8 million.

Rehabilitation of Faculty of Veterinary Medicine, Makerere University. Phase II of the project will begin in July 1991. Funding for Phase II is DM 4.5 million.

Expert Pool. This is a project to finance advisors to government ministries. The project may be terminated next year. The funding commitment stands at DM 6.8 million.

Advisor to Ministry of Planning & Economic Development. The project's aim is the establishment of a development-oriented data bank at the ministry. A German data bank expert will be on the project one more year. The funding commitment is DM 2 million.

Advisor to DFCU. A project review is currently underway. The funding commitment for the project is DM 1 million.

Study Fund. This program provides funding for various project feasibility studies. Funding commitment is DM 3.5 million.

Advisory Assistance in Water Supply and Sewerage. Data collection has begun in Jinja. The funding commitment is DM 12.3 million.

Advisory Services/Feeder Road Maintenance. The project is being implemented in Fort Portal, however, some key positions have not been filled. Late and insufficient funds from the Ministry of Local Government have delayed operations. The German funding commitment is DM 12 million.

Primary Health Care, Western Uganda. The project includes some rehabilitation of Fort Portal Hospital buildings. The main project aim is to ensure a regular supply of drugs and services to the hospital. Income from the private ward for in-patients will be applied toward incentive payments. The hospital is yet in need of a means of cost-efficient transfer of funds from the Ministry of Health to the hospital, as well as a means of direct purchase of food by the hospital. These two measures are recommendations for actions to rationalize the hospital's operation. The funding commitment is DM 6 million.

Seed Production of Legumes. The project is being implemented in Kasese. The aim is to diversify seed varieties and develop seed for export earning potential. The project has had some difficulty providing affordable seeds to farmers. An evaluation is currently underway, and the possibility of further seed diversification is being considered.

Town Planning Project Coordinator Unit (PCU). This project is being implemented in Kampala. The town planner has nearly completed equipping the Physical Planning Department, and has also conducted town planning courses. The town planner will now begin PCU activities as outlined in the World Bank's First Urban Project.
Possible programs for future continuation may include:

- Feeder Roads in Western Uganda
- Town Planner for PCU
- Replenishment of Study Fund

Possible new projects:

- Study for Road Maintenance Authority
- Assistance to Self-Help Groups, Informal Sector
- Murchison Falls National Park

Proposals for future cooperation:

- Study on Rural Farm Credit Scheme
- Study on export-oriented production of small and medium scale enterprises.
- Assistance for Ministry of Industry including UGADEV.

3. Other Activities

Germany conducts an integrated experts program through which German technical advisors are funded to continue to provide guidance on a project after GTZ has officially completed that project. This fund is administered through the German Center for International Migration and Development.

Italy

Background

Italian assistance to Uganda takes the form of both bilateral and multilateral aid. Multilateral assistance is arranged independently of the Department of Cooperation and Development, usually taking the form of a grant to a multilateral organization. Bilateral aid is negotiated between Italy and the Government of Uganda every three years and is administered through the Italian Ministry of Foreign Affairs. The most recent meeting between Italy and Uganda took place in April 1989.

Italy's strategy for development programs in Uganda is to identify with the Ugandan government the country's main needs and decide together on prioritization of needs and finally develop an intervention policy. Current Italian aid to Uganda is in the following sectors: health, technology, fisheries, water and infrastructure.

Project Descriptions

West Nile Project. Implementation by the Italian NGO, CUAMM, (Colegio Universitario Aspirante Medice Misionare). The project aim is the structural rehabilitation of 3 hospitals: Maracha Missionary Hospital, Angal Missionary Hospital and Arua Regional Hospital. Since '85 an average of 12 Italian doctors have been working in the project, as well as 4 technicians for construction work. Rehabilitation has included building restoration, drilling of bore holes and latrines in hospital compounds, construction of staff housing, health centers and dispensaries, as well as procurement of medical equipment, drugs, charcoal and diesel fuel.
Funding from '85 - '89 totaled $3.5 million. $8.1 million is committed for the program '90 - '92.

Aber Hospital. Implementation by CUAMM. The project aim is the rehabilitation of services and physical structures of Aber Hospital. To date the buildings have been rehabilitated and a generator has been installed. The project has also procured drugs and equipment for the operating room, x-ray and laboratory. Since the project's inception in 1979, an average of 4 Italian doctors have been on staff. To date the project has been funded at $3.5 million.

Bokura County Project. Implementation by CUAMM. The project is designed to improve the services of Matany Missionary Hospital. To date the project has provided a new operating room, x-ray and laboratory equipment. The project has also included rehabilitation and construction of hospital wards and staff housing. Since the project's inception in 1979, an average of 4 Italian doctors have been on staff. To date the project has been funded at $2.5 million.

Kitgum Project. Implementation by the Italian NGO, AVSI (International Voluntary Service Association). The project goal is the rehabilitation of structures and services at the District Hospital and St. Joseph Missionary Hospital. The project has achieved rehabilitation of the district hospital water supply, construction of new wards, staff houses, generator installation, procurement of drugs and equipment.

Since project inception in '85 an average of 6 Italian doctors and 2 technicians have been on staff. Previous funding totaled $6 million. Funding for '90 - '92 is $5.8 million.

Hoima Project. Implementation by AVSI. The project goal is the rehabilitation of structures and services at the District Hospital. Project has drilled 2 bore holes, installed 2 generators, constructed staff houses and a maintenance workshop. Drugs and equipment have also been procured. Since the project began in '87 an average of 4 Italian doctors and 1 technician have been on staff. To date funding has totaled $3.2 million.

Orthopaedic Workshop Project - Mulago. Implementation by AVSI, in cooperation with the Ministry of Health and British Red Cross. The project aim is the rehabilitation of orthopaedic services at Mulago Hospital. One Italian doctor, 2 physiotherapists and one technician are on staff. The project is funded at $2 million.

Lacor Hospital Project - Gulu. The project goal is to upgrade the hospital to a teaching and referral status. A new operating block has been in use since January '91, staff and student housing has been constructed, and a hostel for resident and visiting doctors is nearly complete. The project has also established a cobalt therapy capability at the hospital. The project is funded at $4 million from '90 - '92.

Rehabilitation of the Faculty of Technology at Makerere. To date the project has rehabilitated the faculty and an on-campus residence. To date $350,000 of a $2.5 million budget has been disbursed.

Fishing Project - Jinja. Implementation by the Italian NGO CICS. The project aim is the advancement of fishing techniques and promotion of cooperatives among fishermen. The project has purchased 2 motor boats, numerous boat engines, fishing equipment and constructed ovens for smoking fish. One Italian advisor is on staff. To date funding is $9,000.

Boatyard Project - Jinja. Implementation by Italian firm S.I.C.S.
Project is beginning, the aim is to construct a boat yard and provide steel hulls and fishing equipment. Funding is $4 million.

Fishing Project - Masese. Implementation by the Italian firm ANSALDO. The project established a factory for processing fish; the factory has recently been transferred to the government of Uganda. Total funding was $12.5 million.

Luwero Water Project. Implementation by Development for Uganda and the NGO don Vittorio Pastori. The aim is to provide safe water to the Luwero Triangle area. To date the equipment for bore hole drilling is in place in Mubende. The total funding is $10 million.

West Nile Water Project. Implementation by the Italian NGO ACAV. The aim is to provide safe water to the West Nile area through the drilling of bore holes. Funding is 3.3 billion Lira.

Kampala - Kasese Project. Implementation by the Italian firm SOTECNI. A feasibility study for rehabilitation of the Kampala - Kasese railway line has been completed. Funding totaled $1.2 million.

Agriculture Rehabilitation Project. Italy has contributed $10 million to a loan scheme of the World Bank project.

UNEPI (United Nations Expanded Program for Immunization). Italy has contributed $3.2 million to this UNICEF program since its inception in Uganda in 1987.

ODA (Great Britain)

Background

Britain, the ex-colonial power, is the largest single donor to Uganda. The total amount of ODA assistance to Uganda from April 1991 - March 1992 is approximately 27 million pounds. Slightly over half of that amount is applied toward program aid, including balance of payment supports; the remaining portion is applied to specific projects. ODA is working in infrastructure, water, health, education, public administration, judiciary and population.

Project Descriptions

Assistance to World Bank with ERC (Economic Structural Readjustment).

Civil Service Reform. Assistance is intended to streamline the civil service by reforming payroll, incentives and record keeping. Assistance is supplied mostly by consultants.

Revenue Authorities. Work toward the establishment of a revenue department separate from government and ministries. Assistance is mainly by consultants.

Assistance to Police. This is a national program to strengthen the police force and build up its profile as a law enforcement agency. The program has been running since the early 1980s. It focuses on training and quality, rather than the number of recruits. ODA has provided training, capital, vehicles and consultants. Two British police superintendents are in Uganda working with the police force, one in headquarters and one specializing in training. The project also plans to bring consultants in on a short-term basis to address specific areas of improvement.

Judiciary Assistance. This is a four year contract which began in 1989, for a British supreme court justice to assist with the training of Ugandan judges. The justice is also working with the law review commission. The project also plans to bring in two high court justices.

Sleeping Sickness Control - Busoga. Establishment of a treatment center in Busoga. The project may expand into the West Nile region.

Assistance to Mulago Hospital. ODA is providing assistance with equipment and institutional development. The project also includes a three year consultancy to advise on capital works.

AIDS Control. ODA is channeling its funds in this area through WHO in Geneva.

Population and Family Planning. Projects are in the design phase now. ODA expected to have projects in four districts.

Secondary School Teacher Training.

Public Administration Training and Institutional Development.
Focus on civil service and senior management courses.

English Language Training Officer at Makerere University.

Training Awards Scheme. In 1990 - 1992 approximately 226 scholarships were awarded. These awards are for project related training and may be either short or long term. Most scholarships are for overseas programs.

Nyanza Textiles. Rehabilitation of the textile plant in Jinja. ODA has supplied equipment and a British expert on a two year contract with management.

Infrastructure - Roads. The project includes rehabilitation of road and a consultancy to address rehabilitation of 1,000 K of gravel roads.

Self-Help Water Supply Schemes. The project is in the planning stages with the British NGO Water Aid.

Areas for potential growth for ODA are technical cooperation, health and power. ODA has a tentative commitment of 10 million pounds for the POWER III program, however, this is not final.

ODA also has a joint funding scheme with British NGOs. The NGO can apply to ODA for 50% project funding if it is working with a Ugandan NGO. This is essentially a matching funds scheme.

Sweden

Total funding for the 1991 - 1992 Swedish International Development Association (SIDA) program in Uganda is SEK 42 million. This amount was agreed upon by SIDA and the Ministry of Planning and Economic Development. A government-to-government agreement is expected to be signed in September 1991, to determine the final budget and project portfolio. The proposed project portfolio includes activities in cooperatives, water, health, sanitation, import support, PAPSCA, balance of payment support, disaster relief coordination, land surveying, human rights, and the Energy Strategy, Management and Assessment Program (ESMAP).

In addition to the country allocation mentioned above, SIDA provides financial assistance to Swedish NGOs operating in Uganda. Contributions are made on a long-term basis in which the NGO puts forth 20% of the project costs and SIDA finances the remaining 80%. In the program year 1989 - 1990 such assistance outside the usual country allocation totaled SEK 13.4 million.

Possible areas for future project proposals are: an industrial line of credit to UDB, co-financing of Power III, rural power distribution, primary health care facilities and rehabilitation of secondary schools.

Non-Governmental and Private Voluntary Organizations

Action Aid

Background

Action Aid is working in the sectors of education, agriculture, health, technology and women in development. The organization's strategy is to target a geographical area and take a multisectoral approach to development projects. Action Aid began in Uganda in 1982 as an annex of Action Aid Kenya, and did not actually begin to function with an independent Uganda office until 1987.

Project Descriptions

Action Aid Mityana. The project is operating in three sub-counties within Mityana district. Sectoral emphasis is in agriculture, education, health, technical skills development and women in development. The 1991 - 1992 funding is 436,000 pounds.

Action Aid Buwekula. The project began in 1988; the focus is similar to the Mityana project.

Vision Terrudo (Teso Rural Development Organization) Project. Vision Terrudo is an indigenous NGO working in Kumi district. Action Aid provides approximately 60% of their funding. Funding this year is 45,000 pounds.

Action Aid Kamuli. This project began this year. It is a three year PAPSCA project funded by the World Bank, focusing on infrastructure rehabilitation, feeder roads and schools.

Support to Local NGOs

TASO. Action Aid began lending support to TASO in 1987. Yearly funding is approximately 50,000 pounds. Action Aid lends support for management, including planning and budgeting.

Mubende Integrated Teacher Education Project (MITEP). Action Aid is working with the Ministry of Education. The aim is to improve the quality of untrained teacher and to train teachers over a two year period. After two years those teachers will earn a teaching certificate. The pilot project will run from 1991 - 1993. Action Aid is currently waiting for a response from the funding community to its proposal. The estimated cost is 157,000 pounds.

Self Help Development Agency (SHEDA). SHEDA is a local NGO. The project is in Mityana and focuses on spring protection and women and youth. Action Aid has provided seed money for the project; SHEDA is being encouraged to seek other potential donors.

CARE

Background

CARE-Uganda's strategy is to empower poor people through education, public advocacy, economic development, and by promoting sustainable productive systems. CARE seeks to employ Ugandan nationals and pays particular attention to the needs of women and youth involved in and affected by CARE projects. CARE also has an ongoing staff development program.

Project Descriptions

Farm Forestry. The project aim is to re-establish a Forest Department extension service capable of working effectively with small farmers to adopt agroforestry practices. The project runs from July 1988 - June 1994. The project is under evaluation by CARE-Denmark and the Forest Department. Funding is through CARE-USA and DANIDA through the World Bank. The total budget is $7.5 million.

Iganga Agroforestry Extension. The project is in the design phase through September 1991. The actual project is to be implemented over six years. Funding will be through CARE-Austria and the Austrian government.

Social Health Assessment and Profile Exercise. The project is in the design phase. Implementation is scheduled to begin in January 1992 in the West Nile region. The project will include assessment of health facilities, quality of service, accessibility and training. The project is planned to last approximately 5 years.

Development through Conservation. Kabale project, scheduled from July 1991 - June 1996. The project is funded at $3.75 million.

West Nile Community Self Reliance. The project focuses on agriculture and water development in Arua and Nebbi. Funding is by USAID, UNICEF, CARE and the Government of Uganda. Total funds are $4.5 million.

Community Population and Health Project. The project is funded at $3.5 million by CARE-USA and USAID. The project is scheduled from June 1991 - May 1996.

TASO AIDS Education and Support Project. The aim is to open a Jinja office, then proceed to work with Jinja health officials. Funding is by AmFar. The project will conclude in 1992.

The Crested Crane is a country-wide children's magazine for distribution and use in primary schools. The project is funded through 1993 at $500,000 by CARE-Britain and the ODA.

Bushenyi Agroforestry. The aim is to increase agricultural yields and reinforce government extension services. Implementation is scheduled from June 1991 - May 1996. Funding is through CARE-Austria and the Austrian government.

Carbon Sequestering Project. The project is schedule from July 1991 to June 2001. The aim is to develop community nurseries and support government extension services. Implementation is planned for 24 of 33 districts. Funding is $2.6 million by CARE and AES.

Women's Entrepreneurship Development Project. The project is a revolving capital fund for agriculture and small enterprise credit to women in Arua and Nebbi. Funding is approximately $1.9 million by UNCDF.

Experiment in International Living

Background

EIL's involvement in Uganda is in AIDS education and control, natural resource management and PVO development. EIL is involved in grassroots projects, focusing on education, technical assistance and logistical support, to assist Ugandans in both rural and urban areas and improve their quality of life. Projects feature a high degree of training for participants and employment of Ugandan nationals in managerial positions to the extent possible.

Project Descriptions

National AIDS Prevention and Control. The aim is to limit the spread of the HIV virus by enhancing the capacity of selected NGOs involved in AIDS prevention to deliver effective counseling, training, testing and related activities. This is done through the provision of grants and technical assistance. Project components are HIV testing and counseling; HIV prevention and peer education; AIDS counseling and community outreach; the AIDS Commission Secretariat; STD component; AIDS prevention in the military; research and analysis to support AIDS programs and policy. The project is operating in Jinja, Masaka, Mbale, Mbarara and Kampala.
Total funding is $12 million by USAID.

PVO Development Initiatives Project. The aim is to provide PVOs in Uganda a flexible source of funding for activities related to food production, child survival and natural resource preservation. The project also provides training and management assistance to PVOs.

Small Scale Rural Productive Enterprises Project (PAPSCA). This project is to be managed under EIL/PVOP. The project has been proposed to the Ministry of Planning and Economic Development to utilize SIDA and USAID funds.

PVO/NGO Natural Resources Management Support Project. Collaboration with CARE and the World Wildlife Fund, funded by USAID. The aim is to enhance the capabilities of PVOs and NGOs to develop policies and programs to restore and maintain the environment and natural resource base. Activities include buffer zones, indigenous trees and plants, appropriate energy technology and conservation, soil and water management and fish farming.

Agricultural Processing Machinery Testing and Manufacturing Project (APMP). The aim is to develop simple and efficient technology for processing and manufacturing vegetable cooking oil by local farmers. Sunflower seed presses have been distributed in Arua 14, Kasese 2, Masindi 2, Masaka 2, Iganga 1, Kitgum 1, Kampala 4, Kiboga 1 and Mpigi 3.

Lutheran World Federation

Background

Lutheran World Federation focuses its projects on promoting self-sufficiency and on strengthening local and government structures. LWF provides funding, logistical support and technical assistance for projects staffed primarily by Ugandan government field staff and complimented by expatriate staff when necessary. LWF's long-term objective is to provide sufficient logistical support, technical support

and training to assist government and local structures to operate smoothly and ultimately achieve self-sufficiency.

LWF's funding is in the form of grants for specific projects from multilateral donors. LWF is also funded by the Federation of Lutheran Churches, totaling 106 churches, 12 of which donate funds.

LWF's main geographical focus is in the West Nile region and Karamoja. LWF is focusing on these two regions and implementing a number of projects within each. The regional emphasis allows LWF to pursue a multisectoral approach in order to improve the overall state of a particular region.

Project Descriptions

The West Nile program began in 1983 and has an estimated completion date of 1993. The main project in this region is the Returnees Rehabilitation Program. From 1983 to 1990, approximately $14.2 million was spent for the project: approximately $5.5 - $6 million in grants from UNHCR; as well as funding from the EEC and the Federation of Lutheran churches. The remaining West Nile projects are in water development, agriculture and social sectors.

The Karamoja projects have been in operation since 1982 and have no specified completion date. Approximately $800,000 per year is spent on the projects, which are funded primarily by the EEC and Federation of Luthern Churches. The sectoral emphasis is in agriculture and forestry, water development, community development and rural technology.

LWF is currently negotiating a program for the Rakai district for $3.5 million over 3 years. The program is to focus initially on education with specific projects in primary and vocational schools, as well as some primary school teacher training.

LWF provides a high degree of staff training and technical assistance in each of its projects. The organization does not have participant training opportunities, but does provide intensive project-specific training for staff.

Save the Children Federation

Background

Save the Children focuses on maternal/child health welfare, emergency relief, as well as development. The strategy is to address the needs of vulnerable children in their environments, rather than in institutions.

All projects have participant training. Save the Children has a health trainer in West Nile, a social work trainer in the Ministry of Social Rehabilitation, a social work trainer in the Ministry of Social Rehabilitation, a trainer in Kumi, a training committee in the central office and a regional training advisor.

Project Descriptions

Expanded Program on Immunization (EPI). This is a UNFPA funded program. Save the Children has provided technical assistants and full time staff. Funding is $100,000 per year.

Primary Health Care - Kumi. A proposal for a five-year project has been submitted to government. Propose that Save the Children would have an advisor in the Ministry of Local Government. Estimated costs are $250,000 per year for the first three years.

Social Work Program which arose out of civil war instability. The project focuses on resettling children and families. The project is also working through the Ministry of Social Rehabilitation to help with Child Law Review Center as well as the funding and rewriting of child law. Funding is $550,000.

AIDS Orphans. This project was an enumeration exercise showing the incidents of orphans in Rakai, Masaka and Luwero. Funded at $40,000 per year.

Mulago Hospital. Management and institution building at the hospital. Save the Children gave technical assistance to Mulago, funded by ODA is now phasing out funding; IBRD and ADB are commencing funding. The project is funded at $330,000.

Kampala City Council Clinics. This project is a consultancy to conduct a needs assessment of Kampala health care. Funding is $50,000.

World Vision

Background

World Vision operates both small sub-county based projects and large scale district projects. The organization offers ongoing training for project staff in Uganda, and also sends staff to short-term courses in-country. All projects emphasize training; the organization has a training staff with a training officer, an agricultural trainer, a health trainer, an AIDS education trainer and an economic advisor.

All assistance through World Vision is on a grant basis, with the exception of PAPSCA projects, which are soft loans to the Ugandan government, but nonetheless a grant to the beneficiary. The total 1991 budget is $2 million. World Vision believes in strict accountability at all levels of project implementation, community participation and continuous monitoring of projects at all levels of implementation.

World Vision's current portfolio of projects focuses on the following sectors: health, education, agriculture, technology and small enterprise development. Projects are currently running in Luwero, Kampala, Mubende, Hoima, Nebbi, Mukono, Mpigi, Arua, Moroto, Rakai, Gulu, Masindi, Bundibugyo and Masaka.

Project Descriptions

Large Scale Projects

Rakai, Gulu, Masaka. Projects are operating under PAPSCA and are funded by the World Bank, the Government of Uganda and World Vision. The project aim is to support the communities to support orphans, in an effort to keep orphans in homes, as members of the community. The total funding for the projects is as follows: Rakai $1,540,060; Gulu $1,540,140; Masaka $1,869,080. The projects are scheduled to run from 1990 - 1993.

Masindi. Health rehabilitation project funded under PAPSCA. The project is training village-based health workers in Kibanda and Suliisa sub-counties. Total funding is $1,332,696. The project is scheduled to run from 1990 - 1993.

Bundibugyo. Child survival project in Ntokoro sub-county, funded by USAID and World Vision USA.

Small Scale Projects

World Vision has multisectoral community development projects operating in Luwero, Kampala, Mubende, Hoima, Nebbi, Mukono, Mpigi and Arua. Funding for the projects is through World Vision USA, WV Austria, WV Britain, WV Canada, WV Germany and WV Hong Kong.

Total funding for the district projects is as follows:

Luwero	$1,768,035
Kampala	563,598
Mubende	1,330,386
Hoima	1,223,079
Nebbi	750,695
Mukono	882,918
Mpigi	539,490
Arua	298,184
Moroto	34,400
Central/West Provinces	111,000

Donor Funding Levels and Sectors of Concentration

(US $ millions)

Organization	Health	Population	Education	Small entrpses	Natrl Resrces	Infrastructure	Technol/indstry	Water	BOP support	Public Admin.	Agriculture	Social	Unspecified or not allocable	Total
Multilateral:														
ADB													33.0	33.0 *
EEC													100.0	100.0 **
FAO											0.7			0.7 **
IMF									75.0					75.0 *
UNDP	1.1	0.9	1.7		3.7	22.7				6.8	17.2			54.1 **
UNFPA	2.4	12.2		0.5										15.1 **
UNICEF	6.7		2.3					5.4				2.5		16.9 *
WHO	5.0													5.0 **
World Bank	35.0	—	18.0	—	—	88.0	140.0	60.0	—	33.0	136.0	—	—	510.0 **
SUBTOTAL	50.2	13.1	22.0	0.5	3.7	110.7	140.0	65.4	75.0	39.8	153.9	2.5	133.0809.8	
Bilateral:														
Canada													18.4	18.4 *
Danida	14.7		0.5		7.4		12.8	1.7	23.0			3.0		63.1 **
France	1.2		0.3			6.6	3.3	3.3						14.7 **
Germany	3.3					53.9	2.2	6.8	8.9		5.7			80.8 **
Italy	13.9		2.2				4.0	12.4			10.0			42.5 **
ODA													43.2	43.2 *
SIDA	—	—	—	—	—	—	—	—	—	—	—	—	6.4	6.4 *
SUBTOTAL	33.1	0.0	3.0	0.0	7.4	60.5	22.3	24.2	31.9	0.0	15.7	3.0	68.0 269.1	
NGO/PVO:														
Action Aid			0.3										0.8	1.1 **
Care	3.5		0.5	1.9	5.4						4.5			15.8 **
EIL	12.0			1.5	3.0						0.5			17.0 **
LWF			3.5									3.0		6.5 **
Save	0.6		0.2									0.7		1.5 **
World Vision	1.3	—	—	—	—	—	—	—	—	—	—	12.3	—	13.6 **
SUBTOTAL	17.4	0.0	4.5	3.4	8.4	0.0	0.0	0.0	0.0	0.0	5.0	16.0	0.8	55.5
TOTAL	100.7	13.1	29.5	3.9	19.5	171.2	162.3	89.6	106.9	39.8	174.6	21.5	201.8134.4	

* one year funding (usually '91 or '92)

** two to three years funding

ANNEX-D2

WOMEN FOCUSSED INITIATIVES IN UGANDA

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Women Focussed Initiatives in Uganda
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I. Introduction

The Directive: The USAID Mission is in the process of developing its five-year development strategy. The strategy will encompass plans to define how USAID-Uganda will address gender issues. To facilitate this process, the Mission will need information on the numerous activities (initiatives) underway to relieve the adverse social and economic condition of women in Uganda.

Women focussed initiatives in Uganda have been undertaken by the National Resistance Movement (NRM) Government, donor aid agencies, local and international NGOs and PVOs, and religious organizations. Many of these initiatives are narrow in scope (in terms of the number of women in the target group), underfinanced, and short term project oriented.

The objective of the initiatives is to advance the status of women. The programs target improvement in women's welfare, and in their social and economic status in areas that range from improved health care, to improved legal status, to total participation and control of their economic situation.

Many initiatives are developed and implemented which address problems identified as women's welfare problems or concerns. These initiatives address the high morbidity and mortality rates for Ugandan women and children. The success of the programs is dependent on increasing women's 1) knowledge about nutrition, immunization, sanitation, family planning/spacing, etc. and 2) access to nutritional foodstuffs, safe drinking water, healthcare facilities, etc.

Other initiatives are developed and implemented to address women's subordinate social, legal, and economic status. These initiatives have been spearheaded, primarily, by local volunteer NGOs and the NRM government with some financial support from donor agencies. The success of these programs is dependent on increasing women's 1) knowledge about gender issues, and 2) access to the political, legal, and government structures which affect change.

Whether the initiatives address A) women's welfare, or B) women's subordinate status, the objective of advancing the status of women will be achieved. However, programs addressing "A" requires that women have access to resources which are oftentimes not available. Whereas, programs addressing "B" give women the opportunity to obtain needed resources.

The significant socio-economic role played by women led President Yoweri Museveni of Uganda to equate the achievement of sustained development in Uganda with the achievement of advancing the status of Ugandan women. The advancement of women can be achieved through development programs, but the programs must be gender sensitive if they are to overcome "the realities of women's sexual and social subordination" in society. When sex and gender subordination is culturally embedded in a society, women suffer increased social and economic vulnerability in every aspect of life because of a dependency on men. (Longwe and Clarke, 1990, p.9)

This means that effective development programs which advance the status of women must give women access to resources to improve their standard of living and give women the right to use the resources for their benefit.

This paper discusses the development initiatives implemented to address gender issues which relieve the social, legal and economic plight of women in Uganda.

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II. How are Gender Issues Defined and Addressed?

A gender issue or problem results where women are in unequal/subordinate positions relative to men because of rigid social/cultural attitudes which ascribe certain fixed roles to women largely by habit rather than by conscious decisions.

Development programs which address gender issues must provide information and access to resources that help women gain control of their situation so that the burden of performance is equally shared by both male and female. In this context burden of performance is defined as a role relegated to women, but which could be performed by either men or women. Usually the division of labour based on sex or gender subordination results in women being assigned to the more menial and mundane tasks in society and receiving little to no remuneration for long hours of toil.(Longwe and Clarke, 1990, p.3)

Women's institutions in Uganda have altered their focus from issues of welfare, to economic improvement and the achievement of political rights. The success of many initiatives has been hindered by the subordinate position of women because women are less likely to 1) receive the necessary information, 2) have access to the means to act on the information, nor 3) have control over the decision to act on the information.

In summary, gender issues are best addressed when the implemented programs include components of the empowerment process as listed below.

```
CONTROL        ▲
PARTICIPATION  |
SENSITIZATION  |  INCREASED
ACCESS         |  EMPOWERMENT
WELFARE        |
```

The components ranging from welfare to control represent the stages by which women define their own advancement. They are not necessarily a linear progression of advancement but do indicate that initiatives directed at the control level will give women more power and control over their standard of living.

III. Women Roles in Uganda

Women play a significant and critical role in the Ugandan society and economy. Women represent not only 53 percent of the Ugandan population but they also represent 70-80 percent of the agriculture labour force. Uganda with its agrarian based economy is highly dependent on agriculture which accounts for over 95 percent of exports and 50 percent of GDP.

Not only are women employed in the agricultural sector, but they also participate in the economy in non-traditional occupations such as doctors, nurses, lawyers, administrators, economists, sociologists, secretaries, planners, healthcare workers, educators, domestic labor, etc.

1. **Role of women in agriculture:** Approximately 91 percent of Uganda's population live in rural areas where 90 percent of the people are engaged in agrobased activities. As stated women

contribute over 70 percent of the total labor force. Their largest contribution is in food crop production.

They also provide labor to cash crop production by picking, sorting, drying and storing coffee and cotton. Yet women's remuneration is not commensurate with their labor contribution.

In 1988/89, ninety-seven percent of the rural women were subsistence farmers and had access to cultivatable land. Only seven percent of these women owned the land they cultivated, and only 67% owned simple hoes or any other basic farm implement. Less than five percent of these farmers were serviced by the agricultural extension system.

In addition to working their own farm, seventy-five percent of the women farmers earned cash income by selling their labor to other farmers. Since women are also responsible for child-bearing and rearing, food preparation, firewood and water fetching, etc., their average work day is 15 hours long. Analytically agriculture practiced under these conditions must be inefficient and it is apparent that women are over represented among the rural poor and among the farmers with no land.

2. **Role of women in public sector:** In health and education women form 50 percent of the labor force; however civil servants in these areas receive the least pay with minimum fringe benefits. The NRM Government has made significant gains in gender balancing by appointing nine women Ministers and Deputy Ministers as well as allowing for the election of 38 women representatives in the NRC. Despite these gains women still represent less than 15 percent of all civil servants and elected politicians.

3. **Role of women in private sector:** Approximately 500,000 women are involved in small-scale industry, individually or through women's groups, NGOs, and cooperatives. They produce domestic articles such as baskets, mats, cotton cloths, shoes, tailored items, etc. They are also involved in agrobased industry such as food processing, poultry and piggery farming, etc. Many business women rely on donor aid for seed money to finance their operations.

Many women entrepreneurs do not have the skills needed to succeed in their business enterprises; therefore, they rely heavily on the expertise of district level extension and field officers from the various sector ministries and on donor sponsored training seminars.

Table 1 summarizes the prevalent skills found among Ugandan women in 1988. At least two handicraft skills are taught in primary schools to girls by the completion of P7, but the trend in secondary schools is to increase the focus on subjects such as bookkeeping and marketing.

Table 1: Skills Among Ugandan Women

Skill	Percentage of Women Practicing
Basket and Mat Weaving	74
Beer Brewing	49
Embroidery & Needlework	40
Simple Bookkeeping	21

Source: Nalwanga-Sebina, Abby J., and Edith R. Natukunda, "Uganda Women's Needs Assessment Survey 1988", UNICEF, 1988, p.53.

IV. How are Women in Development Issues Addressed in Uganda?

President Yoweri Museveni of Uganda set the stage for addressing the issue of women's economic and political subordination in the Ugandan society through the establishment of the Ministry of Women in Development (MWID) and through the inclusion of women representatives in the National Resistance Council (NRC), an executive policy-making body.

It is the opinion of the National Resistance Movement (NRM) Government and international donor aid agencies that for Uganda to achieve economic self-reliance the combined efforts of all Ugandans (whether in government or in the private sector as consumers and producers) must be enlisted to improve efficiency and productivity.

> "When presenting the NRM's views on tackling the issue of the subordinate role placed by society on women, H.E. Museveni stated: "... our policy aims at strengthening the position of women in the economy by raising the value and productivity of their labour and by giving them access to and control over the productive resources. By productive resources I mean land, capital, credit, seeds, fertilizers, tools, water, energy, education and information."

In March 1988 MWID was created to underscore the NRM's commitment to integrating women into the mainstream of Uganda's development. Recognizing that subordination of Ugandan women was pervasive in the society the NRM government passed the Act of Positive Discrimination in February 1989 to foster widespread participation of women in the political and government process.

The Act created 38 women representative positions to the NRC and allowed women to compete in elections with men for posts at the levels of RC1 to RC5. It also established the Directorate of Women's Affairs in the NRM Secretariat and required that all government forums have a Secretary of Women's Affairs.

MWID's policy, according to the Permanent Secretary of MWID, is to "raise the status of women to foster their advancement, ...t o help women develop their abilities in all respects and to emancipate themselves from positions of dependency and inferiority to being respected individuals, economically independent and politically mature".

To achieve the objective of encouraging political mobilization the NRM government and women NGOs adopted a strategy to encourage income generating activities. The resounding voice of the leadership in women's groups and women in leadership positions in the government is that women must participate fully in the decision-making process in the home, community, and at all levels of government.

There are four spheres of activity utilized to address women development in Uganda:

1) achievement of equal rights
2) personal development and advancement
3) "training of trainers" (tot)
4) developing economic self-reliance

1. **Achievement of equal rights:** Solicit the involvement of a wide cross-section of women, including the grass-root rural woman, in the development of Uganda's new Constitution

(seminars conducted through May 1991, with final presentation of views to be submitted by July 1991).

Increase women's interest in political issues

Initiate law reform and legal education, to eliminate discriminating legislation, and to ensure that women take advantage of the "positive laws" enacted reviously.

2. **Personal development and advancement:** Improve the health and welfare of women. The morbidity and mortality rate among women in developing countries approaches 50 percent because of pregnancy related illnesses. Many complications can be prevented by simple precautions like birthing in a sanitary place, and using sterilized blades, strings, and water.

Decrease the educational system's drop-out rate for girls. Between 1977 and 1983, 59.1 percent of the girls in P1 to P7 dropped out of school. This loss is reflected in the number of 24 year old women who could have entered the work force in 1991 but because of a poor education will never become productive members of society.

To compound the deficit further, in 1983-1988 the female enrollment, as a percentage of total school population, progressively declined from 40 percent in P1 to 16 percent in institutions of higher learning.

A 1990 survey of 6 districts revealed that 48 percent of rural women had no formal education and only 5 percent had more than primary school education. Table 2 and Table 3 put these statistics into perspective. Taken collectively, the data implies that even though a great number of women have little education, half of the wives have the same educational level as their husbands. The percentage of women versus men educated above the P7 level is 37 percent vs. 63 percent. Even though there is a wide disparity in the percentages, the numerical number of male and female students which go on to secondary school and then on to institutions of higher learning is small in the Ugandan society.

Table 2: Educational Level

Men Vs. Women (Percentage)

Grade Level Attained	Female	Male	Total
None	67	33	100
P1 - P3	51	49	100
P4 - P7	47	53	100
Above P7	37	63	100

Source: Nalwanga-Sebina Natukunda, p.85.

Table 3: Educational level of Husband Vs. Wife

Description	Percentage
Wives equally educated	51
Wives lesser educated	40
Wives greater educated	9
Total	100

Source: Nalwanga-Sebina and Natukunda, p.85.

3. **Training of trainers (TOT):** A technique used by many programs to develop an extension system to reach women at the grass-root level. Basically it requires the identification, usually by the RC1 and the District administrator, of two to four women from a village or community. These women are then trained to teach reading/writing, and a to present a wide range of ideas to the rural women depending on the focus of the program. For example, the Ministry of Women in Development's TOT program teaches women simple bookkeeping, and skills to organize groups, conduct meetings, and to develop and implement projects.

   In-service training sessions and seminars are encouraged by the NRM government. Many ministries and donor agencies support these types of activities by cooperating with sector ministries in conducting seminars and workshops to benefit women. In addition, they set up programs to assist women representatives in the NRC to hold seminars in their districts.

   Provide fellowships and the opportunity for women in various fields to participate in short or long-term training abroad.

4. **Developing economic self-reliance:** Most programs advocate the need to develop income generating activities with the companion theory of developing appropriate technology in the industrial sector.

V. Initiatives Undertaken by Government Ministries

The programs of only three ministries will be discussed in this paper: Ministry of WID, Ministry of Industry and Technology, and Ministry of Cooperatives and Marketing through the Uganda Cooperative Alliance program. The other ministries such as Agriculture, Planning, Animal Husbandry, etc. have a woman's desk but the programs focussed on women are minimal.

The information presented in this section is based primarily on personal interviews.

1. Ministry of Women in Development

MWID is in its "capacity building" stage. The ministry was established in March 1988 and is currently housed in three different sections of the Parliament Building. Office space is cramped but seems to be effectively utilized. The ministry receives little financial support from the NRM Government. The two main donors are DANIDA ($2.3 million) and UNDP ($1.0 million). Both agencies have two expatriate technical experts attached to the ministry and each expatriate has a Ugandan counterpart.

MWID's staff consists of 13 administrative and 27 technical civil servants. Because of funding constraints the 10 WID officers are also in Kampala instead of in their assigned regional district offices. Initially MWID plans to have offices in 10 of 38 districts to coordinate program implementation in the surrounding 3-4 other districts. Table 4 identifies the regional offices and the total area of responsibility for the WID officer.

Table 4: MWID Proposed Regional Offices

Office	Responsibility Area
Arua	Arua, Nebbi, Moyo
Fort Portal	Fort Portal, Kasese, Bundibugyo
Mbale	Mbale, Tororo, Kapchorwa, Palisa
Mbarara	Mbarara, Bushenyi, Rukungiri, Kabale
Mubende	Mubende, Kiboga, Luwero, Kampala, Mukono
Jinja	Jinja, Iganga, Kamuli
Hoima	Hoima, Masindi
Masaka	Masaka, Rakai, Mpigi, Kalangala
Gulu	Gulu, Kitgum, Apac, Lira
Soroti	Soroti, Kumi, Karomoja, Kotido

Note: Only 36 of the 38 districts had been delineated by June 1991.

a. Danish International Development Agency

DANIDA is MWID's primary donor with its program support of $2.3 million over 1990-1992. The program is designed to have a national impact by changing the statutory laws that govern Ugandan women. The three components of the DANIDA program are 1) strengthening of MWID, 2) strengthening of women's political and legal rights, and 3) strengthening of women's economic situation. Two expatriate staff women are assigned to MWID :one as a planning advisor and the other as a extension and legal advisor.

Strengthening of MWID: The Ministry of WID is establishing an information center to house data on women development issues pertinent to Uganda and Africa. Information whether gathered by MWID, or other ministries will be available to other ministries, organizations, and research institutions. MWID plans to coordinate the process of data analysis, publication, dissemination, and interpretation to final users. The center will prepare/compile project documents for the consideration of possible donors. The center is currently being staffed and should be operational in late 1991.

This component also provides for the necessary hardware and software for the establishment of a data bank. Inclusive in this provision is office equipment, three vehicles and ADP hardware and software.

The program also provides for short-term training in both England and Norway.

Strengthening of Political and Legal Rights: Research, training and consultation are provided on subjects such as 1) the cultural laws which handicap women in the informal sector; 2) a survey of women's use of the local courts; and 3) activities to ensure women's participation in the constitution making process.

The objectives are to facilitate legal reform and to present to the Constitutional Commission a comprehensive report of Ugandan women's views for the new Ugandan Constitution. This report was presented to the Commission on June 19, 1991 by the Minister of WID.

Strengthening of Economic Conditions: The objective of this component is to support women initiatives in gaining access to credit. The project was implemented in three districts. MWID worked with NGOs to solicit financial requests for credit worthy projects. The credit applications are reviewed by a steering committee who review and determine the level of aid granted.

b. UNDP Umbrella Project

This UNDP project valued at approximately $1.0 million covers the period from 1990 to 1993. Its two main components are: 1) sensitizing civil servant and political officials in government organizations to gender issues, and 2) training of trainers. The program is designed to affect all ministries and to impact all 38 districts. To implement the program, UNDP provides two expatriate technical experts to the Ministry of WID. To strengthen the skills of its personnel, the Ministry has two counterparts assigned to work closely with the UNDP personnel.

Sensitizing Policy-Makers To Gender Issues: The Ministry of WID identifies person(s) in each ministry who can act as a "focal point officer" for the broader organization. The target group in government is narrow and focused at the top, i.e., Ministers, Permanent Secretary and policy makers from ministries, such as Planning, Finance, Education, and Health, Industry and Technology, Animal Industry, etc. The ministries chosen, generally, have a women's program or a "woman's desk".

Ministry strengthening: There are currently 16 focal point officers in sixteen other ministries. Through monthly meetings MWID established a forum for an exchange of views, ideas and plans in an open dialogue between the 16 ministries and MWID.

GOAL: The goal of the monthly meetings is to integrate women's concerns into national and local development programs and activities.

FOLLOW-UP: This component of the UNDP project does not target sectors such as banking and commerce, law enforcement, judicial, religious, secondary education, etc. These "secondary target" organizations are ignored because of budget constraints. To insure widespread acceptance of women, discussion groups with representatives from these sectors should be scheduled.

The seminar also highlighted the credit institutions that cater to women :

1. UCB- Rural Farmers Scheme and other fund loan schemes
2. Centenary Rural Dev. Trust
3. Uganda Women Credit and Finance Trust
4. Bank of Uganda- Women credit Desk
5. Ugadev Bank
6. Cooperative Bank- Cooperative Credit Scheme(CCS)

Representatives from these institutions listed their problems with meeting the credit needs of women and women groups as 1) lack of loanable funds, 2) high administrative costs because projects are "scattered in the countryside", and 3) high interest rates levied due to the lack of sufficient collateral.

Ugandan businesswomen were reminded that success in business is dependent on the "four Ps of the market: the product, the price, the place (distribution channels), and the promotion". This is especially important because women face a more competitive market for their goods than do most small businessmen.

To increase competitiveness and decrease the woman's work load the seminar delegates emphasized the need for improved domestic and small scale industrial technology.

As an answer to one of the above suggestions The Ministry of IT and UNDP conducted an 8 district survey to determine the types of industrial activities engaged in by males and females. Unfortunately the data is not completely disaggregated by sex. The data did identify some industrial activities that women are involved in such as handicrafts, processing peanut butter and oils (peanut and sunflower), milling grains, producing sauce pans and charcoal refrigerators, bakery and confectionary, horticulture and tailoring.

The districts surveyed were: Mbarara, Kampala, Mukono, Rukungiri, Kabarole, Jinja, Lira, Masaka. These profiles as well as a wealth of other data on small scale industry in Uganda are maintained in MIT's Information Center in its office building on Parliament Avenue.

To address the issue of appropriate training the Uganda Development Corporation and FES are funding a women's NGO: Small Entrepreneurs Development Company(SEDC) to train women to develop business attitudes and practices. The seminars stress the need to reinvest profits and the need to form good credit and banking management. The approach of SEDC is that women should be trained to be businesswomen before they start a business. In addition, they teach that income generating groups must be organized around income generating activities and these activities must be separated from other group objectives.

3. Ministry of Cooperatives and Marketing

Ministry of Cooperatives and Marketing has activities in all 38 districts. THe district management office consists of one (1) District Cooperative Officer, 2) Cooperative Officer, (3) Senior Assistant Cooperative Officer,(4) Assistant Cooperative Officer and many (5) Cooperative Assistant Officers. There is one woman officer in each district as a Senior Assistant or as an Assistant

Cooperative officer. The development component of the ministry is implemented by the Uganda Cooperative Alliance (UCA).

The UCA management strengthened its Women Education and Development (WED) Section in the Directorate of Human Resource and Development to bring women into the mainstream of the cooperative movement. In the development of the 1990-93 Programme, UCA identified the following policy guidelines for Women Education and Development:

1) activities should be based on a good understanding of the situation;
2) activities should have capacity building for women's groups as the centerpiece;
3) activities should be implemented in close partnership with other development agencies;
4) activities should instill cost-consciousness and business motives in women members;
5) activities should require strict financial accountability and overall managerial discipline by women cooperatives or groups.

USAID-CAAS project funds the complete budget for UCA's Directorate of Human Resource and Development. Specific funding of the WED Programme is also met by CAAS project funds. To implement the 1990-93 Programme, UCA launched a comprehensive consultant study (1989) on the situation of women in Uganda. The objective of the consultant was to determine the extent to which women participate in cooperative activities, and other forms of collective action groups for the purpose of understanding the nature, performance and needs of the women.

The 1990-93 Programme also called for UCA to develop an Implementation Plan and to seek donor support for viable women cooperatives or women's groups working with UCA. The Implementation Plan is funded by CAAS and AGRO-ACTION is funding ten women's projects.

Women represent 25 percent of the cooperative movement's membership. There are only 20 women cooperative societies or 600+ registered cooperatives with a membership of 39,998. However, it is estimated that 354,980 women are involved in quasi-cooperatives (unregistered women groups).

The task of UCA is to design development programs to increase the number of registered women cooperatives. Theprogram initiatives are directed at community mobilization, leadership management and technical training, and interagency consultation over a five year period. The program includes TOT seminars, general membership training, project development activities and program evaluations.

An important aspect of the community mobilization phase was that female WED personnel assessed the particular gender issues which needed to be overcome in the communities before women involvement could be expedited.

The initiative is implemented using district training teams (DTT) that consist of four core members: a Cooperative education publicity officer, Agricultural extension officer, Animal Husbandry officer and a Health officer. This inter-ministry integrated approach will streamline training and maximize the use of field staff from all ministries. Additional persons will be added to the DTT depending on the needs of the training program.

Women NGOs operating in the area are encouraged to participate in the DTT seminar's to increase the profile and credibility of the cooperative movement.

CAAS Technical and Management Support: This component of WED is funded at $159,000 over 1991/92-1993/94. UCA has 32 district unions which cover all political and administrative districts in the country. Mobilization workshops will be held in 25 selected villages where coop activity is ongoing. A total of 100 workshops or four each site will be conducted.

Also under this component will be 2-week TOT seminars for female staff from each district union and the Ministry of Cooperatives and Marketing or one female from each DTT. Each TOT will train 32 persons. It is expected that all DTT personnel will be gender sensitive in 2 years.

CAAS Introductory Management Training provides 2-week TOT for the management of established women's groups in areas of financial management. These seminars will be held in the four regions and should average 30 persons per class or a total of 120 people.

UCA solicited the assistance of AGRO-ACTION a German based donor to fund the activities of 10 women groups. The funding is $135,00 for two years. Table 5 summarizes the information on the groups.

Projects 1 to 4 have received funding for their initial 3-months: $37,000 disbursement for 1-vehicle for WED and "seed money" for the projects.

Table 5: AGRO-ACTION Funded Projects

Name of Group	Activity	District
Mbale Women's Co-op Savings & Credit Soc.	Passion Fruit Extraction	Mbale
Kabowa Womens Savings & Credit Society	Large-scale Poultry Farm	Kampala
Kirunba Womens Club	Poultry Farm	Masaka
Tusitukirewamu Cooperative Union	Tailoring Training School	Kampala
Kerkede Kwoki	Farming: cotton, beans, sunflower	Lira
Cam Kwoki Womens Cooperative Group	Farming Animal Husbandry	Lira
Atar Mother Union Cooperative Group	Farming	Apac
Ngoma Womens Group	Handicraft & Ghee Prod.	Luwero
Family Hope Co-op Society	Farming:sunflower, vegetables	Mbale
Nameyna Womens Co-op Group	Agriculture/hand loom products	Mukono

Source: J.M.A. Opio-Odongo, UCA, Directorate of Human Resources, June 1991.

VI. Initiatives Undertaken by International PVOs and NGOs

This section of the paper will discuss the projects managed by CARE-Uganda, EIL, the Netherlands Development Agency, the British Council, and Konrad Adenauer Foundation.

1. CARE-Uganda

West Nile Community Self-Reliance Project: $4.0 million over 1991/92-1995/96; USAID follow-up project to West Nile Rehabilitation. The project is currently conducting a baseline survey which will be completely disaggregated. The project defines positions for a male and female community development representative (CDR) for each community in the target area. The CDRs will be trained by CARE activity managers in primary healthcare, borehole drilling and maintenance, agriculture and forestry. Male CDRs will be recruited from sector ministries. Female CDRs will be recruited from the community's traditional birth attendants.

Development Through Conservation: $3.7 million over 1991/92-1995/96; USAID Stage 2 project in the Impenetrable Forest: Kabale, Rukungiri, Kesese districts. Primary school teachers were trained as part-time conservation extension agents (CEA) in Stage 1. In Stage 2 a male and female CEA will be chosen for each of 29 parishes in the area. The objective of the CEA will be to create awareness in conservation and family planning.

Knowledge Assessment Profile: Jinja district: $80,000 from AMFAR- American Foundation for AIDS Research over 15 months 1991/1993. AIDS information and training seminars conducted in villages for male and female residents. The assessment profile survey population was 67 percent female and showed that only 10 percent of the respondents were fully aware of AIDS. The NGO TASO-Jinja is funded by CARE under this project to give support to AIDS patients and family members of victims, but to date TASO was not operating. The hospital in Jinja tests for AIDS but provides no counselling to HIV positive patients.

2. Experiment in International Living

AIDS Education and Control Project: USAID funded. The project has educated group members from 30 organizations/ communities about HIV/AIDS transmission and its impact on the society. Trainers and peer educators are trained under the TOT program. The project works to instill voluntary behavior change to limit HIV in the target population by reducing unsafe sexual practices. EIL is distributing condoms, and some education and preventive materials, such as the film "Its Not Easy". Other materials including Ekanya Safer Sex Guide, peer educator badge, peer educator card, condom booklet, etc are in the process of printing and pre-testing.

The TOT program is incorporating gender issue sensitizing by using group discussions 1) to clarify the importance of men and women in a "household/daily living" and 2) to identify factors that put men and women at risk of HIV infection. The results of one TOT exercise is given in Table 6.

The result of this exercise was that the trainers agreed that women and men are at the same level of risk. But men have the ability to control their risk and women do not.

EIL/CARE-USA/World Wildlife Fund-USA: PVO-NGO Natural Resource Management Support Project. USAID-Washington funded project managed by the consortium: Experiment in International Living (EIL), Uganda Forestry Association (UFA), Development Network for Indigenous Voluntary Assoc. (DENIVA), Private Voluntary Organizations Project (PVOP) and Uganda Women Tree Planting Movement (UWTPM).

The Project is intended to promote collaboration and participation between PVOs and NGOs in natural resource management activities in Uganda. Nine of the 11 projects funded were submitted by women NGOs for 40,000,000/=(USh). The activities supported are the development of woodlots, expansion of tree/plant nurseries, conservation, agroforestry and food production.

EIL: APMP Agricultural Processing Machinery Testing and Manufacturing Project:USAID funded 1990/91. The APMP project objective was to introduce and adopt simple, highly efficient, affordable and manageable technology for small scale processing and of vegetable cooking oil for use by local farmers in Uganda. The aim was to 1) locally manufacture the machines; 2) create employment in rural areas; 3) develop markets for the oil close to the home of peasants; 4) development integrated farming (crop and animal) at reasonable costs. The Ram Press has been modified by EIL/APMP staff and fabricated by local manufacturers. To date 14 of 30+ modified

Table 6: Factors that Put Men and Women at Risk of HIV Infection

MEN	WOMEN
1. Mobility	1. Financial constraints
2. More sexual partners	2. Population imbalance
3. Longer period of sexual activity	3. Cultural factors-early marriage, polygamy
4. Financially powerful	4. Physical make up which attracts men
5. Culture (polygamy)/ Religion (Islam)	5. Social/political status
6. Social superiority	6. Caring for patients
7. Regularly acquire STDs	7. Emotional dependence
8. Attitude of pride/ prestige	8. Child bearing
9. Many attractive women	9. Ignorance

Source: EIL AIDS Education & Control Project, June 1991.

Bielenberg oil ram presses have been distributed to women NGOs in Arua, Kasese, Mpigi, Masaka, Kitgum, Kampala, Iganga, and Masindi. Orders have been placed with M.C. Industries, H.S.Notay and Uneek Commercial Supply/Miome Industries to manufacture a total of 30 more presses for 1991-1994. This project is implemented in with NRMS sunflower production support.

Women benefit from these projects because they are employed in manufacturing the presses, producing the sunflower seeds, and in owning the presses for oil production.

3. Netherlands Development Agency

Women development initiatives are focussed on improving the economic condition of rural women. Uganda Women's Finance and Credit Trust (UWFCT) is provided funding through a $1.0 million advisory grant for 1990/91-1992/93. The two objectives of the program are 1) to decentralize UWFCT and 2) to encourage rural grass-root development through women's group income generating activities.Grant funds are loaned to members of the Trust over 1 to 2 year periods for project seed money.

NOVIB also provided funding for DENIVA to assist it in the development and publishing of the NGO Directory. Training is provided to leaders of women NGOs such as the Association of Women Layers (FIDA) and the National Council of Women. NOVIB's budget for women development programs is approximately $1.0 million in 1991 and increases to $1.8 million in 1992. Funding is also provided to ACCORD for three rural development projects in Nebbi district.

4. British Council

Training Budget: The British Council activities center on training and improving the technical research capacity of women in Uganda. A project proposal to MWID identifies the need for developing a Women's Literacy and Development Programme.

The objective of the programme will be increased literacy among women so that they can take advantage of the development information and materials provided through various initiatives.

Training activities sponsored during 1990/91: A total of 14 staff members from MWID, the President's Office, the Women Studies Department at Makerere University, and from the NGO: Action for Development. Women participation in the Council's Technical Cooperation Training Programme (TCTP) is 25 percent. Plans are underway to give at least 30 percent of the 1991/92 training awards to women in government.

The Council supported a link between the Institute of Development Studies of Sussex and the Department of Women Studies with the objective of building up the research capability of the Department's staff in gender based research techniques to be used to assist women development.

The Council also assisted the Uganda Women's Tree Planting Movement with a $8000 grant to purchase seeds, seedlings and implements.

5. Konrad Adenauer Foundation

KAF's activities are geared towards development-oriented assistance in educational, economic and social projects.

Development aid is funneled through the Foundation for African Development (FAD) and its partners 1) Uganda Co-operative Savings and Credit Union (UCSCU)- the national body for Uganda's savings and credit societies- and 2) Action for Development (ACFODE)- a national women's organization established in 1985. Assistance is provided to finance training and seminar programmes of the partners. Training includes staff development seminars in Uganda and scholarships to overseas institutions. All Partners receive assistance in the payment of staff salaries and other recurrent expenses. KAF is basically an adult educational institution and provides no technical assistance or revolving loan funds. KAF has very strict accounting requirements for its partners; therefore financial controls and programme planning are stressed.

ACFODE is also assisted in the publication of its magazine, "Arise" and various information pamphlets.

VII. Initiatives Undertaken by Other Donor Agencies

DANIDA, World Bank, and ODA programmes are discussed in this section.

1. Danish International Development Agency

Masese Women's Self-Help Project is one of the most innovative donor-sponsored projects in Uganda. The project is implemented by a women's NGO: Afri-Housing Fund in Jinja through the Ministry of Housing and Urban Development. It is a "community participation/ income generating/ housing improvement project in the Masese slums of Jinja. The residents in the slum area total 700-800 women and children (adult males are normally transient visitors).

The NGO consisting of 120 women residents was provided with machines and training to make floor and roof tiles, bricks, window shutters,doors,etc. To date 40-50 new houses have been erected where shanties once stood. Plans are underway to build a nursery school to care for children while mothers work. In the interim, the local tavern was recruited as a nursery school during daytime hours.

MHUD provides technical support to train and teach the women. During the initial stages DANIDA transported via bus some of the Masese residents to visit residents of a rehabilitated housing scheme in Nairobi. The visit instilled enthusiasm and confidence in the Ugandan women to motivate increased involvement. The NGO generates income by selling building materials to non-members and other local resident.

NGOs from Entebbe and Rakai have been formed and approached MHUD for a similar project in their areas.

DANIDA: Integrated Women's Program is a project designed to test the hypothesis that "women's rights are not enforced because they lack an economic base". The project integrates the activities of Uganda Women's Finance and Credit Trust and the Association of Women Lawyers in Mbale and Kapchorwa districts. The program will be implemented over 1991-1994 and is budgeted at $0.5 million.

UWFCT will identify viable women's projects, provide technical assistance and administer the loans. FIDA will open a legal clinic, conduct legal education seminars in area villages, and train "legal promoters" who will assist in ongoing legal education.

DANIDA: NGO Development: Under this program DANIDA provided assistance to FIDA to pay recurrent expenses of the Kampala Legal Clinic and the Legal Education Program. A $100,000 grant was given in 1989 which FIDA has been using for the past 2 years. This grant aid may not be renewed.

2. World Bank

PAPSCA: Programme for the Alleviation of Poverty and the Social Costs of Adjustment: Two of PAPSCA's pipeline projects are focused on women in poor areas. One project targets both rural and urban productive women's NGOs and is budgeted at $0.8 million. The second project targets women farmers in Apac, Lira, and Kitgum and is budgeted at $0.5 million. Neither project is funded.

IFAD: Agricultural implements and inputs sold to women groups in Tororo district through "debtor stores".

World Food Programme: WFP and FAO: The Heifer Project for Women Farmers is administered by the Dairy Development Committee(DDC). It has impacted over 120 recipients in Mpigi district by encouraging women to raise exotic cattle on zero grazing.

3. British Overseas Development Agency

ODA targets women projects through its NGO Joint Funding Scheme which is managed from England. The annual budget of approximately $2.5 million is funneled through OXFAM-Uganda and Save the Children-Uganda. These organizations choose projects to be funded and disburse funds. Project performance reports are collected in Uganda and forwarded to England for close review.

VIII. Women NGOs Operating in Uganda

In the last two months several organizations have published comprehensive directories of registered NGOs/PVOs. The National Council of Women's "Directory of Women's Groups in Uganda" list is reproduced in this study. This, and the DENIVA " A Directory of Non Governmental Organisations (NGOs) in Uganda 1990" are submitted separately for the USAID Library.

Four women NGOs are discussed here because of the significant value of their programs in the development of Ugandan women. The groups discussed are FIDA, UWFCT, ACFODE, and National Council of Women.

1. Association of Women Lawyers (FIDA)

FIDA is a voluntary NGO with a membership of 60 practicing women lawyers. There is a core group of 25-30 women who participate in the programs to improve the legal and social status of women in Uganda. FIDA has two main programs: a legal education program and a Kampala legal aid clinic.
FIDA also works with the Ministry of WID and the National Council of Women to conduct research.

The legal education program is implemented utilizing radio, television, and seminars hosted by women's groups or the Resistance councils. The seminars represent the most significant portion of this program. Eight women visit one district each month from Friday to Sunday. Sixteen centers at the sub-county level are visited in the 3-days. The participants use visual aids, role playing, and open discussions to teach the audiences that consists of male and female residents. FIDA normally devotes two months to each district. This means that 32 centers are affected in each district. To date 13 districts have been visited.

FIDA is expanding its legal education program to include the translation and simplification of the family laws and the RC statutes. RCs were give some judicial powers by the NRC but the individuals have no legal training. Consequently the legal issues brought before the RC village courts are decided based on customary laws that are more discriminatory to women than statutory laws. FIDA proposes to develop a paralegal training program so that the RCs can be taught the responsibilities and limitations of their judicial powers.

The legal aid clinic was opened in 1988 after receiving a $100000 grant from the Ford Foundation. The money was used to acquire office equipment and to pay for office space. The clinic is manned permanently by two volunteers who are on leave without pay from the Attorney General's office for 1990-1992. The first women clients sought help to solve current/daily needs but the trend in the last 8 to 12 months has shown that women are interested in protecting their future rights. The death of husbands usually result in the wife's removal from the matrimonial home without any resources. The clinic has a current clientele of 1500 men and women.

FIDA participates in many research activities. The most important activity was the research to accumulate women's veiws on Uganda's new constitution. Research is currently being conducted to assess the land and matrimonial rights of women in Uganda. This information is needed to present a program package to the government with suggestions on reform. FIDA also participated in "The Workshop Designed to Discuss the Domestic Relations Bill" and prepared a report to the Attorney General about women's views on the new Bill.

2. Uganda Women's Finance and Credit Trust (UWFCT)

UWFCT operates as an intermediary non-profit institution which provides credit facilities to grass-roots small scale business women either as individuals or as groups. It provides low income women with credit, training and technical assistance to enable them to improve their economic status. A Revolving Loan Fund is currently in operation catering for micro business who wish to start new activities or to improve existing viable enterprises, but which lack necessary resources to qualify for normal bank loans.

UWFCT introduces women to financial institutions by mobilizing them to save. All members must have a savings account for 3-4 months before loan applications are considered. UWFCT operates in Kampala, Kamuli, Mbale, Masaka, and Mbarara. Members in areas outside of Kampala's central region deposit their savings with or make loan payments to other banks: Kamuli, Mbale, Mbarara-UCB; and Masaka-Centenary Rural Development Trust. The banks give the women a receipt for the transaction. Twice a month UWFCT area coordinators collect the passbooks and the deposit slips, and bring all records to Kampala where the books are updated before being returned to the clients. This process usually takes one week but interest is paid on deposits based on the original transaction date.

Training and technical assistance is provided by PVO-EIL, CIDA, the Dutch Embassy, Spear Motors, Mukwano Enterprises and EEC Kampala. UWFCT conducts awareness seminars in areas before the savings mobilization program is launched. All members must attend small scale business management and group management courses before they are eligible for loans.

There are 1190 depositors with a total of 13.0 million USh on deposit in UWFCT as of May 31, 1991. This is contrasted with 167 loan recipients with outstanding loan balances valued at 79.0 million USh. The depositor's funds are not used to finance loans. Most loan funds are provided by donors such as NOVIB of the Netherlands, and Christian-Aid (U.K.). UWFCT is experiencing a recovery rate of 82-86 percent.

3. Action for Development (ACFODE)

ACFODE is a voluntary NGO with a membership of about 400 women representing a wide variety of disciplines. There is a core group of 70 women who contribute their expertise towards helping in the improvement of the socio-economic and legal position of women. Among the membership are doctors, nurses, health visitors, health educators, teacher of all grades, writers, lawyers, social workers, social science researchers and educators.

ACFODE activities are implemented through the following committees: conscientization and publicity, projects, education, research, legal/social-political and finance.
Members voluntarily join the committees according to their interest and expertise.

The activities of ACFODE are numerous. These include 1) publications such as the magazine "ARISE", legal booklets, and pamphlets, and pamphlets /booklets on Family Life Education; 2) research, 3) conducting seminars and workshops on issues such as writing skills, guidance and counselling, Family Life Education and AIDS, project identification, planning and management, secretarial development; and 4) networking to rural and semi-urban areas including schools.

Networking activities are conducted regularly in four districts one in each region. These seminars, visits, and talks address issues such as:

- legal awareness on family laws
- family planning
- AIDS
- Family Life Education projects
- gender awareness
  education of women
- agriculture
- credit and finance

ACFODE activities are supported by the donor agencies OXFAM, the Ford Foundation, Konrad Adenauer Foundation, Canadian International Agency (CIDA) and by local fund-raising functions.

4. National Council of Women

The National Council of Women is undergoing organizational and structural changes. This study is being conducted by UNIFEM and should be completed by June 30, 1991. The result should be that the Council will operate as an umbrella organization for women NGOs. In this function it should be self-financing by charging member NGOs for training and donor aid coordinating functions.

IX. Conclusion

Development initiatives focussed on women are numerous in the Ugandan economy and address the gender issues as defined by the Ministry of Women in Development and the Ministry of Industry and Technology. It is estimated that at least 0.5 million women are involved in women's groups, cooperatives, and NGOs. The objective of the initiatives are to improve the status of women by encouraging participation in income generating activities and in political/legal reform.

Notes

The views of Longwe and Clarke are quoted here from a paper presented to advance a methodology on improving Aids prevention and control; however, the views of subordination and empowerment were extrapolated from 1) Sara Longwe, 1989, "From Welfare to Empowerment" in *Establishing an African Women's Development Network*, published by the International Women's Rights Action Watch (IWRAW) and from 2) Sara Longwe, 1990, "Understanding the Dimensions of Inequality in the African Women's Burden of Work", 1990 IWRAW Conference Paper. (Longwe and Clarke, 1990, p.23)

Ministry of Industry and Technology, Ministry of Women and Development, et al.,"Women's Status, Participation,and Initiatives in The Development of the Ugandan Economy:Focus on Women in the Small Scale Industry," Friedrich Ebert Foundation, August 6-10, 1990.

Nalwanga-Sebina, Abby J., and Edith R. Natukunda, "Uganda Women's Needs Assessment Survey 1988", UNICEF, 1988.

Abidi, Syed A.H., ed., "Ugandan Women in Development", African Development Series No.1, Foundation for African Development, Kampala, Uganda, 1990.

Akello, Margaret and Maria Bawubya, "Development of Policies and Programmes on Women: National Profile of Women in Uganda", MWID, Uganda, Sept. 1990.

Pamphlets and other printed "project fliers" were provided by the following organizations:

- The Uganda Women's Finance and Credit Trust
- Action for Development
- The Experiment in International Living
- CARE-Uganda
- Association of Women Lawyers
- British Council
- Konrad Adenauer Foundation

ANNEX E
USAID STAFFING LEVELS
FUNCTIONAL STATEMENT

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Annex E
USAID Staffing Levels
Functional Statement

A. SUMMARY OF FUNCTIONS

1. The USAID/Uganda Mission, located in Kampala, is responsible for the development and management of a major, bilateral economic assistance program directed at supporting the Government of Uganda (GOU) program of economic recovery and development. The USAID Mission provides development assistance to Uganda through programs in economic policy and technical sectors including agriculture and natural resources, health and population, private enterprise, and human resources development.

2. The country program portfolio is focused on increasing agricultural growth with an emphasis on private sector participation. The key elements of USAID assistance include policy dialogue, foreign exchange support, and institutional strengthening. USAID activities emphasize creation of a market-oriented policy environment; supporting local resource requirements; expansion and diversification of the exports base; conservation of natural resources; improvement of family planning and health conditions, particularly child survival and AIDS prevention; and the training of Ugandans to rebuild the capacity for economic development, growth, and governance of the nation. Policy reform and balance of payments assistance is also provided through P.L. 480, Title II and Title III programs.

3. In carrying out its responsibilities and program activities USAID/Uganda coordinates its activities with the full range of A.I.D. Bureaus and Offices, including REDSO/ESA. The Mission receives guidance from the Bureau for Africa.

4. The USAID/Uganda program is administered within delegated authorities and in accordance with the policies and standards established by the Bureau for Africa Assistant Administrator. USAID/Uganda is classified as a Category 1-A country program, with full delegated authority for program and project development and management. The Mission program is also subject to the coordinative direction of the U.S. Ambassador.

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B. OFFICE OF THE DIRECTOR

1. Mission Director

The Mission Director has overall management responsibility for the establishment of strategic direction, development, implementation, monitoring and evaluation of the USAID/Uganda economic assistance program, including:

a. Serves as the principal advisor to the Bureau for Africa, Assistant Administrator, on all matters affecting USAID/Uganda economic assistance programs and is the senior A.I.D. representative to the Government of Uganda (GOU), as well as to other bilateral and multilateral assistance donors, private voluntary and non-governmental organizations, and other U.S. Government and private organizations.

b. Is responsible for providing advice to GOU officials and institutions on key development problems and opportunities and for the development of the USAID Mission strategy and program proposals for U.S. bilateral assistance to Uganda.

c. Maintains continuous communication with the GOU to establish policy dialogue and reform measures to promote free markets and an open society; negotiates and executes agreements with the GOU, within delegated authorities and A.I.D./W guidance.

d. Provides leadership and direction to USAID/Uganda Office Directors and subordinate staff in the development and management of an integrated economic assistance program designed to meet the development strategy and objectives of the Mission.

2. Deputy Mission Director

The Deputy Mission Director acts as the alter ego of the Mission Director and is responsible for assisting the Mission Director in planning, directing, and supervising the activities of subordinate Offices, including:

a. Provides guidance in the formulation of Mission strategy, policy, and programs for bilateral assistance to Uganda.

b. Coordinates and manages all Mission documentation for program and resource allocation decisions, including budget/workforce submissions, grant, and P.L. 480 proposals.

c. Provides direction and oversight of technical sector activities and coordination with the GOU on technical sector/problem analysis, program planning, and project design in order to measure achievement of the Mission strategy.

d. Is responsible for monitoring and overall direction of administrative management functions to ensure adequate internal controls are established to protect the efficient and effective expenditure of Mission resources.

e. Maintains liaison with the Regional Inspector General for Investigations (RIG/I) staff; reviews and coordinates comments on related audit and other report findings and recommendations regarding Mission activities; and recommends necessary corrective actions.

f. In the absence of the Mission director assumes full delegated authority for management of USAID/Uganda and the provision of leadership and direction to USAID/Uganda Office Directors and subordinate staff in the development and management of an integrated economic assistance program designed to meet the development strategy and objectives of the Mission.

3. Economic Policy Staff

The Economic Policy Staff is responsible for providing expert advice to the Mission Director and Deputy Mission Director, and as required to the U.S. Ambassador, on local economic conditions and for macro-economic analysis and policy dialogue with senior GOU policymakers, including:

a. Is responsible for economic analysis in determining the economic feasibility and justification for proposed A.I.D. projects, programs and policies and in the design, monitoring and evaluation of the Mission's project and program portfolio.

b. In coordination with the Mission Director, maintains policy dialogue with senior GOU policymakers on economic issues, development policy, investment priorities, USG program assistance, and needs for host country policy reform.

c. Coordinates with the technical officers, program/project development officers, other donors and the U.S. Embassy economist to provide economic information and analysis.

d. Conducts analyses and prepares issues papers, as required, for meetings of the donor community, Uganda Consultative Group, and other international bodies and fora in which the USAID/Uganda Mission participates.

e. Conducts economic reporting on Ugandan economy to A.I.D./W.

C. Office of Management Support

1. The Office of Management Support is primarily responsible for the direct provision of administrative and logistical support of all USAID/Uganda programs, projects, personnel (including participating agency personnel), and contractors, including the provision of personnel, general services, security, safety, supply management, contracting, procurement, travel, automatic data processing, communications and records, and management analysis services. Responsibilities specifically include:

a. Participates in the formulation of Mission policies concerning administrative and logistical support to program development, implementation and evaluation.

b. Coordinates with the Mission Director's Office the Mission's internal organization and workforce requirements and initiates organization, personnel, and workforce requirements proposals for A.I.D./W action.

c. Participants in program/project review in the formulation and review of proposed programs prior to implementation to determine management support requirements and design of the administrative/logistical component of project designs.

d. Collaborates with the Office of Financial Management and other Mission Offices in the development of the operating expense and manpower (FTE) budgets and in the formulation of the Annual Budget Submission (ABS).

e. Develops and prescribes appropriate internal management control systems and policies, interpreting A.I.D./W management regulations, to facilitate the provision of management support to the Mission and to ensure efficient and effective utilization of materials and human resources.

f. Provides the full range of USDH, USPSC, FSNDH, FSNPSC, and Participating Agency personnel services, including recruitment, orientation, placement, classification, compensation, counseling, adverse actions, and morale activities.

g. Plans and directs the Mission's expendable and non-expendable property management program, including acquisition, management, and disposal programs; develops standards for issuing, using, and controlling Mission property.

h. Exercises contracting authority in accordance with the A.I.D. Acquisition Regulations (AIDAR) (48 CFR 7) and Federal Acquisition Regulations (FAR) (48 CFR 1).

i. Ensures that satisfactory housing and office space, to include necessary support services, are provided to authorized Mission staff.

j. Develops, negotiates and monitors the Foreign Affairs Administrative Support (FAAS) agreement with the U.S. Embassy Administrative and B&F Officers.

2. Participates in the review of and comment on Regional Inspector General audit and other report findings and takes or recommends necessary corrective actions.

3. Directs the USAID/Uganda Security and Equal Employment Opportunity programs.

D. OFFICE OF FINANCIAL MANAGEMENT

1. The Office of Financial Management is responsible for providing financial management services to USAID/Uganda, including financial analysis, financial advisory services, budgeting and maintenance of a comprehensive accounting system, monitoring coordination, auditing coordination, and a financial reporting system. Responsibilities specifically include:

a. Maintains fiscal and accounting records for all operating expense and program allocation resources, including appropriated dollar funding, local currency, and GOU local currency funds advances to the Mission in a trustee capacity, as well as counterpart funds.

b. Is senior advisor to the Mission Director on all USAID financial matters and provides advice to Mission staff, counterparts, and GOU officials relative to financial management practices, procedures, and reporting requirements as well as on the financial soundness and status of A.I.D. financed programs and projects.

c. Participates in program/project review during the formulation and review of proposed programs prior to implementation and conducts periodic reviews of financial performance relative to program/project activities; provides advice on means and methods of financing these activities; acts as Mission liaison between banking institutions, the GOU, and A.I.D./W.

d. Is responsible for the formulation, presentation and execution of the USAID/Uganda operating expense and program budget in collaboration with the Office of Program and Project Development, Office of Management Support, and all other Mission Offices, as appropriate.

e. Develops and promulgates appropriate systems of internal controls pertaining to all aspects of disbursement and collection of monies, control of receipts and allotments under which they are financed to ensure that and/or determine whether project objectives are met economically and efficiently; determines the effectiveness of program/project implementation based on analysis of the use of funds for manpower, supplies, equipment, and facilities from USAID/Uganda and GOU funding sources.

f. Serves as Mission coordination point with the Regional Inspector General for Audit (RIG/A) staff; reviews and coordinates comments on audits and other similar report findings and recommendations regarding Mission activities; takes and/or recommends necessary corrective actions.

2. Maintains liaison with the Regional Financial Management Center, A.I.D./W/AFR Controller, and A.I.D./W/FM Controller, as appropriate, regarding maintenance of the financial integrity of the USAID program.

E. OFFICE OF PROGRAM AND PROJECT DEVELOPMENT

1. The Office of Program and Project Development is responsible for primary support to the Office of the Mission Director in the development of the Mission strategy and program objectives, coordination of the design of programs and projects to meet those objectives, and evaluation of program and project activities vis-a-vis attainment of those objectives. Responsibilities specifically include:

a. Is senior advisor to the Mission Director and Deputy Director and advises and assists GOU officials and institutions on key development problems and opportunities in Uganda.

b. Provides primary input toward the development of USAID/Uganda Mission strategy and program objectives by (1) studying the GOU development plans, and priorities, (2) identifying priorities, program plans, and ongoing programs of other bilateral and multilateral donors, (3) selecting, in collaboration with the GOU, the proposed sectors for A.I.D. concentration, and (4) preparing the Mission's Country Program Strategic Plan (CPSP) for economic assistance to Uganda.

c. Develops the Mission's program documentation including ABS, CP, and CPSP, as well as directs the preparation and/or coordination of program and project implementation documents and reviews all Mission documentation for program and resource allocation decisions, including budget/workforce submissions, grant, and P.L. 480 proposals and program/project implementation documents.

d. Directs and participates in A.I.D. evaluations of ongoing or completed programs, projects, and activities; participates in joint A.I.D./GOU/contractor evaluations; and prepares and/or reviews

evaluation reports.

e. Promotes contacts and collaborative agreements between the GOU and multilateral organizations, regional institutes, PVOs, NGOs, and private U.S. organizations.

f. Manages a project portfolio which may include PD&S, P.L. 480, and Participant Training projects.

g. Reviews all program/project documentation for sensitivity towards and inclusion of Women-in-Development (WID) issues and concerns.

2. Participates in the review of and comment on Regional Inspector General audit and other report findings and takes or recommends necessary corrective actions.

3. The Office of Program and Project Development also coordinates the following activities as delegated by the Mission Director: Private Voluntary Organizations, Non-Governmental Organizations, and some Inter-donor working groups.

F. TECHNICAL SECTOR OFFICES

1. Basic Functions

The Technical Sector Offices of USAID/Uganda have primary responsibility for the development, implementation and monitoring of program and project proposals for U.S. bilateral assistance in their respective areas of expertise. Specific responsibilities include:

a. Collaborate with the GOU on sector/problem policy and analysis, program planning and project design and participate on program and project review committees in planning, organizing, guiding, and reviewing analysis and design work.

b. Prepare documentation for A.I.D. program and project implementation, including documentation for program and resource allocation decisions.

c. Negotiate program and project agreements with the GOU within the limits of delegated authority, program approvals and A.I.D./W and USAID/Uganda instructions.

d. Monitor implementation of A.I.D.-financed programs and projects by the GOU and intermediaries (or directly implement such programs and projects), taking or recommending actions to ensure the effective use of A.I.D. program and project resources.

e. Initiates PIOs for and coordinate administrative and logistical inputs to program and project activities with the Office of Management Support.

f. Coordinate with the Office of Financial Management on all fiscal activities, including establishment of effective project accounting systems and internal controls, development of program/project budgets, and obligation/deobligation of program/project funds.

g. Participate in the review of and comment on Regional Inspector General audit and other report findings and take or recommend necessary corrective actions.

2. **Office of Agriculture and Natural Resources**

The Office of Agriculture and Natural Resources provides expert policy and technical advice and direction in the development, design, and monitoring of a dynamic portfolio of projects which include but are not limited to adaptive agricultural research; institutional strengthening and capacity building; agribusiness development; foreign exchange for increased production; processing and marketing inputs for non-traditional export crops; and enhancement and maintenance of natural resources to promote and sustain land management, forestry, tourism, and biological diversity.

3. **Office of General Development**

The Office of General Development provides expert policy and technical advice and direction in the development, design, and monitoring of a portfolio of projects which include but are not limited to health and population, education, private enterprise, and engineering.

Specifically, the Office of General Development will address multisectoral development activities including: a health and population program which will encompass child survival, and AIDS prevention as well as other health interventions such as a) development of commercial systems to produce and/or market contraceptives and ORS, b) AIDS research, counseling, testing, and education support, c) strengthening institutional capacity to rehabilitate the orthopedically and physically disabled, and d) support for orphan placement and care; and a general development unit which will address education policy reform; and school administration and curriculum development. This Office also coordinates the Private Enterprise activities and the Disaster Relief program for USAID/Uganda.