Poverty Reduction in Uganda
A Background Paper

Bureau for Policy and Program Coordination
January 2003
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Poverty Reduction in Uganda

A Background Paper

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# Contents

**USAID’s Strategic Approach**  
USAID Uganda Integrated Strategic Plan for FY2002–2007

**Macroeconomic Implications of Uganda’s Poverty Reduction Approach**
- Planned and Unplanned Results of Uganda’s Poverty Reduction Approach
- Macroeconomic Impacts
- Implications for USAID

**Policy Coherence and U.S. Trade Policy**

**Economic Growth and Agriculture**
- Background and History
- Problems and Opportunities
- The Government’s Approach
- Plan for Modernization of Agriculture
- Medium-Term Competitive Strategy for the Private Sector (MTCS)
- USAID’s Approach to Economic Growth
- Conclusions—Economic Growth and Agriculture

**Environment**
- Problems and Opportunities
- The Government’s Approach
- USAID’s Approach
- Conclusions—Environment

**Democracy, Governance, and Conflict**
- Background and History
- Problems and Opportunities
- The Government’s Approach
- USAID’s Approach
  - *Parliament*
  - *Local Governance*
  - *Conflict*
- Conclusions—Governance
Education  25
   Background and History—Problems and Opportunities  25
   Government, USAID, and Other Donor Response  26
      Reforms Initiated in 1992  26
      Adoption of Universal Primary Education  26
      The PEAP and Subsequent Development  26
   Conclusions—Education  28

Health, HIV/AIDS, and Family Planning  28
   Background and History—Problems and Opportunities  28
   The Government, USAID, and Other Donor Response  28
   Harmonization of Ideas and Action  29
   Decentralization and Health Sector Funding  30
   USAID’s Health Sector Approach  31
   HIV/AIDS  31
   Family Planning  32
   Conclusions—Health  32

P.L. 480 Food Aid in Uganda  32

Gender and Development  33
   Background and History  33
   Problems and Opportunities  33
   The Government’s Approach  34
   USAID’s Approach  34
   Conclusions—Women’s Issues  34

Poverty Monitoring and Evaluation  35
   Organization of Monitoring and Evaluation  35
   Data Sources and Issues  35

Bibliography  37

Annex. List of Key Interviewees  41
Tables

Table 1. Primary School Enrollment Rates for Rich and Poor Children and Girls, 1992–1999 27

Table 2. Selected Health and Family Planning Indicators 29

Table 3. Causes and Effects of Household Poverty Most Frequently Mentioned by Ugandans 30

Table 4. USAID FY2001 Health Program Obligations by Funding Category 31
## Abbreviations and Acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
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<tr>
<td>AGOA</td>
<td>African Growth and Opportunity Act</td>
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<tr>
<td>DHS</td>
<td>Demographic and Health Survey</td>
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<td>DISH</td>
<td>Delivery of Improved Services for Health</td>
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<tr>
<td>FDI</td>
<td>Foreign direct investment</td>
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<tr>
<td>GDI</td>
<td>Gross domestic investment</td>
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<td>GDP</td>
<td>Gross domestic product</td>
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<td>HIPC</td>
<td>Heavily Indebted Poor Country</td>
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<td>IHS</td>
<td>Integrated Household Survey</td>
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<tr>
<td>IR</td>
<td>Intermediate result</td>
</tr>
<tr>
<td>MAAIF</td>
<td>Ministry of Agriculture, Animal Industry, and Fisheries</td>
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<td>MFPED</td>
<td>Ministry of Finance, Planning, and Economic Development</td>
</tr>
<tr>
<td>MTCS</td>
<td>Medium-Term Competitive Strategy for the Private Sector</td>
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<td>NGO</td>
<td>Nongovernmental organization</td>
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<td>PEAP</td>
<td>Poverty Eradication Action Plan</td>
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<td>PMA</td>
<td>Plan for Modernization of Agriculture</td>
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<tr>
<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
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<tr>
<td>SpO</td>
<td>Special objective</td>
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<tr>
<td>SO</td>
<td>Strategic objective</td>
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<tr>
<td>SUNY/UPTAP</td>
<td>State University of New York/Uganda Parliamentary Technical Assistance Project</td>
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<td>SUPER</td>
<td>Support for Ugandan Primary Education Reform</td>
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USAID’s Strategic Approach


The program goal under the 1997–2001 Country Strategic Plan was “sustainable and equitable improvements in the standard of living.” Although clearly related, poverty reduction was neither an overarching goal nor an explicitly stated objective. The program goal was supported by five strategic objectives (SOs) and one special objective (SpO) (USAID 1996, 28–29):

SO1: Increased Rural Household Incomes

SO2: Critical Ecosystems Conserved to Sustain Biological Diversity and to Enhance Benefits to Society

SO3: Quality Basic Education for an Increased Percentage of Ugandan Children

SO4: Increased Service Utilization and Changed Behaviors, Related to Reproductive/Maternal/Child Health in Selected Districts

SO5: Civic Pluralism Expanded and Constitutional Checks and Balances Implemented

SpO: Improve Foundation for Reintegration of Targeted Areas of Northern Uganda

Of these objectives, increased rural household incomes (SO1) was most clearly related to poverty reduction defined in terms of per capita income. Through interventions to increase agricultural productivity, improve food security, expand the availability of financial services, and promote policy reform, the results under this objective doubled the income of participating households. No doubt many of these households were below the poverty line, but there was no explicit effort to focus interventions on them.

Objectives relating to basic education (SO3) and health (SO4) were also related to poverty reduction—defined more broadly to include access to basic social services such as health and education. In education, primary schools were the principal focus; one consistent with poverty reduction as defined by the emerging poverty reduction paradigm (Salinger and Stryker 2001). Efforts to keep girls in school also coincided with the paradigm’s gender focus. The health objective (SO4) limited its focus to the poorest and most vulnerable groups in Uganda by concentrating on reproductive, maternal, and child health.

The special objective aimed at reducing conflict in the north also undoubtedly contributed to poverty reduction. First, interventions under this objective were concentrated in one of the poorest regions of the country. Second, priority attention was given to emergency assistance for internally displaced persons who were both poor and very vulnerable. Third, other activities that addressed long-term needs in agriculture, microenterprise development, basic education, and psychosocial support for vulnerable children also undoubtedly contributed to poverty reduction, even if they did not explicitly target the poor.

Objectives relating to ecosystem conservation (SO2) and civic pluralism (SO5) might have had beneficial effects on poverty, though this was not an explicit goal. In an effort to sustain biodiversity, ecosystem conservation was concerned with improved management of forests. The poor were positively affected because much of this effort was concentrated in some of the poorest areas of the country, especially in the southwest. The poor also benefited from efforts to promote agroforestry in unprotected areas. The poor may also have benefitted from increased empowerment stemming from civic pluralism (SO5), especially where USAID supported efforts toward decentralization.

USAID Uganda Integrated Strategic Plan for FY2002–2007

During implementation of USAID Uganda’s Country Strategic Plan for 1997–2001, Uganda
was developing its own poverty reduction strategy—the Poverty Eradication Action Plan (PEAP). This plan, first issued in 1997 and revised in 2001, topped off a two-year period of preparation and extensive consultation between the government and the people of Uganda. The plan includes four major pillars:

- fast and sustainable economic growth and structural transformation
- good governance and security
- increased ability of the poor to raise their incomes
- increased quality of life of the poor

The donor community has accepted the PEAP as Uganda’s comprehensive development framework. A shortened version of the PEAP has been accepted as Uganda’s Poverty Reduction Strategy Paper (PRSP) under the approach adopted by the World Bank and the International Monetary Fund. The PEAP guides the formulation of sector-wide approaches; public expenditures for specific sectors are implemented under the medium-term expenditure framework, which links inputs, outputs, and outcomes while assuring consistency of expenditure levels within overall resource constraints. The final element of this planning framework involves monitoring (Government of Uganda/MFPED 2001c, ix–x).

Implementation of the PEAP is partially spelled out in the Plan for Modernization of Agriculture (PMA) and the Medium-Term Competitive Strategy for the Private Sector (MTCS). The vision for agricultural modernization is “poverty eradication through a profitable, competitive, sustainable, and dynamic agricultural and agro-industrial sector.” Objectives of the PMA are as follows:

- increase income and improve the quality of life of poor subsistence farmers through increased productivity and increased share of marketed production
- improve household food security through the market rather than emphasizing self-sufficiency
- provide gainful employment through the secondary plan benefits such as agro-processing factories and services
- promote sustainable use and management of natural resources by developing a land use and management policy and promotion of environmentally friendly technologies

The mission of the agricultural modernization plan is to eradicate poverty by “transforming subsistence agriculture to commercial agriculture.” The plan thus makes it clear that poverty eradication in rural areas is to be achieved through the modernization and commercialization of agriculture (Government of Uganda/MAAIF and MFPED 2000, 30–31).

The objective of the MTCS “is to further improve the business environment for the private sector to be able to compete, boost domestic economic activity, and increase Uganda’s exports to the global marketplace.” This is to be achieved by increasing productivity and profitability, reducing the cost of doing business, and creating a viable environment for private investment. This should help “to increase productivity in agriculture and shift excess labor from agriculture to non-farm activities,” as well as expand the formal private sector in manufacturing and services, and improve incomes of micro and small enterprises (Government of Uganda/MFPED 2000b, x).

In formulating its Integrated Strategic Plan for 2002–2007, USAID accepted the PEAP as the centerpiece of Uganda’s national development strategy. The PEAP also had the full endorsement of the donor community, including the multilateral financial institutions. USAID’s strategy supports the focus on poverty articulated in the PEAP and seeks to contribute to its achievement and its durability. The program goal of the Integrated Strategic Plan is to “assist Uganda to reduce mass poverty.” This goal addresses elements of the PEAP by assuring that the poor participate in and benefit from
development efforts (USAID 2001, 30). Thus, poverty reduction is clearly now the overarching goal of USAID’s Uganda program.

In framing its strategy, USAID Uganda asked a number of questions (USAID 2001, 30), including:

■ What is the nature of poverty in Uganda?
■ In what areas or sectors does USAID hold a comparative advantage?
■ Where and how can the greatest impact be achieved with the resources available?

The Integrated Strategic Plan was formulated after an extensive process of consultation, assessment, and analysis. During that process, the mission met with its stakeholders, including representatives of the government, civil society, implementing partners, business leaders, U.S. Government stakeholders, donors, and intermediate and ultimate customers. Out of this assessment came the belief that Uganda had established a highly effective approach to sustainable growth and poverty alleviation. The decision was therefore made to align USAID’s strategy with the Ugandan model.

The Integrated Strategic Plan comprises three additional strategic objectives:

SO7: Expanded Sustainable Economic Opportunities for Rural Sector Growth

SO8: Improved Human Capacity

SO9: More Effective and Participatory Governance

Brief descriptions of each strategic objective follow, emphasizing how the objective accords with the PEAP. More complete descriptions appear in the sector analyses.

■ **SO7: Expanded Sustainable Economic Opportunities for Rural Sector Growth.** This objective addresses the goal of poverty reduction by focusing on rural areas, where 96 percent of poor Ugandans live. The objective combines agriculture and environment, recognizing that agricultural improvement is only possible under conditions of sustainable natural resource management. It emphasizes the need to diversify income-earning activities and to promote linkages between increasing agricultural productivity and developing the marketing, processing, and exporting of agricultural, livestock, and fishery products. The strategic objective identifies food insecurity, low productivity, natural resource degradation, lack of competitiveness and diversification, and a weak enabling environment as the key constraints on poverty reduction. The objective contributes to implementation of the PEAP by focusing on two of its major pillars: 1) fast and sustainable economic growth and structural transformation, and 2) increased ability of the poor to raise their incomes. It is also clearly in line with two implementing documents—the PMA and the MTCS—as it concentrates on promoting private sector activity in commercial agriculture and exports of agricultural and agro-industrial products.

■ **SO8: Improved Human Capacity.** This strategic objective focuses on building human capital through integrated education and health interventions to lower rates of human fertility, decrease the prevalence of HIV/AIDS, reduce mortality, and improve school performance. Major attention is devoted to assuring that schools address reproductive health, with a strong emphasis on family planning and HIV/AIDS. This is partially in response to the 2000 Uganda Demographic and Health Survey (DHS), which showed increasing infant and child mortality as well as continued high fertility rates. USAID felt there was a major opportunity to address these issues by taking advantage of children’s presence in schools, in the community, and at service delivery points. This strategic objective thus concentrates on improving the quality of basic health and education services, fostering the role of the private sector, and testing and adopting innovative methods for modifying human behavior. It also stresses building capacity for decentralized planning.
management, and monitoring of health and education services and strengthening the environment enabling social service delivery.

The human capacity building objective also contributes to implementation of the PEAP through its emphasis on increasing the quality of life of the poor. This is very much in line with the sector-wide approach undertaken in health and education. USAID Uganda’s strategy diverges somewhat from the Ugandan Government’s strategy for poverty eradication by not offering budgetary support in health and by including budgetary support in education. This puts USAID Uganda somewhat on the periphery with respect to application of the medium-term expenditure framework, a subject addressed more extensively later in this report.

SO9: More Effective and Participatory Governance. Although Uganda has done quite well with respect to economic growth and delivery of social services, it has lagged considerably with respect to democratization, minimizing corruption, and reducing civil conflict. The governance strategic objective is directed toward increasing the empowerment and reducing the isolation of the poor by promoting civic participation; encouraging accountable, transparent, and capable government; and facilitating conflict resolution and mitigation. This contributes directly to increasing the quality of life of the poor and promoting good governance and improved security—two pillars of the PEAP.

The governance strategic objective is implemented in a number of ways. One is to help local governments increase their capacity to plan, manage, and monitor the delivery of basic services. Another is to strengthen the capacity of civil society to influence local and national decisions. A third is to assist the legislature to enhance its capacity to participate effectively in the process of policy formulation and budget making. Finally, this strategic objective will use dialog to reduce civil conflict, mitigating its effects through the provision of safety nets. All of these actions are called for in the PEAP.

Macroeconomic Implications of Uganda’s Poverty Reduction Approach

Planned and Unplanned Results of Uganda’s Poverty Reduction Approach

Uganda has undertaken substantial policy reforms in its macroeconomy, trade, and exchange rate. It has also made major progress in reforms related to finance, marketing, taxation, restructuring of government ministries and parastatals, decentralization, rehabilitation of infrastructure, and reestablishment of both security of person and property and of the rule of law. Uganda is well ahead of most other countries in formulating and implementing a strategy focused on reducing poverty. As a result, Uganda has become a donor favorite, receiving a large and growing volume of foreign assistance.

The Ugandan economy has increasingly been driven by foreign assistance, especially after the collapse in coffee prices over the past few years. Much of this assistance has gone into general or sectoral budget support. Other resources have been available through the World Bank’s enhanced heavily indebted poor country (HIPC) initiative. A Poverty Action Fund has been created that assures that much of this money will go into areas that directly benefit the poor (education, health, feeder roads, water, and sanitation). Decentralization assures that money will reach at least the district level; the agriculture modernization plan calls for substantial direct transfers to be made directly to the sub-counties.

For all of these resources to reach their intended recipients, the government will have to make massive investments in capacity building at the district and sub-county levels. This capacity building will itself be very expensive, as will the monitoring process required to assure the achievement of intended results.
None of this effort relates directly to increasing the ability of the private sector to invest and expand its activities, including developing the capacity to increase Uganda’s exports. In fact, the evidence suggests that Uganda’s poverty reduction approach has diverted attention away from implementation of the MTCS, which would create the environment that will induce the private sector to undertake the investments necessary for trade and growth.

Partially in reaction to lack of private sector investment, the government has recently issued a report designed to focus attention on the production, processing, and marketing of selected strategic exports (Government of Uganda 2001b). Although useful in drawing attention to the problem, this report neither provides an adequate blueprint for expanding exports nor clarifies the division of responsibility between public and private sectors.

**Macroeconomic Impacts**

The magnitude of foreign assistance has raised concerns about its potential impact on Uganda’s macroeconomy (in terms of inflation, interest rates, and the exchange rate) and its consequent effects on the real sectors of the economy. A number of factors will affect the outcome:

- *The extent that the foreign exchange associated with foreign aid is converted into domestic currency.* During the coffee boom of the mid-1990s, the Bank of Uganda increased its reserves substantially. However, few reserves accumulated as coffee prices slumped after 1998. Furthermore, donors will not likely want their foreign assistance to go unused for any length of time.

- *The extent that the local currency equivalent of foreign aid is used to purchase nontradables (local goods) rather than tradables (imported goods or goods that could be exported).* Much of Uganda’s foreign assistance has been used for budget support. Since government expenditures are heavily oriented toward nontradables (services in health, education, and other areas), there has been relatively little spillover into increased imports—at least before secondary income effects are considered. Increased demand for nontradables tends to force their prices up relative to tradables, and there is evidence that this is occurring (Adam 2001, 17).

- *The extent that the Bank of Uganda intervenes to slow the appreciation of the Ugandan shilling through its foreign exchange operations.* Over the years, the bank purchased dollars to prevent undue appreciation of the shilling. It subsequently engaged in open market operations through the issuance of treasury bills to avoid the excess liquidity in shillings. However, the treasury bill market is very thin, and the decline in their price had meant a sharp increase in interest rates that had wreaked havoc on financial markets. The bank decided last year to allow appreciation of the shilling. This decision accentuated the rise in the prices of nontradables relative to tradables.

Some argue that appreciation of the real exchange rate is likely to be offset by increases in productivity in the tradable sector resulting from public investments in roads, education, and other areas (Adam 2001, 14). However, these investments are apt to have a long gestation period (three, five, or more years) before they have any significant effect on productivity. Meanwhile, the consequences of the appreciation are felt immediately in the export sector.

The situation is particularly difficult because of the decline in coffee prices. To the extent that low coffee prices are likely to persist over the next few years—and the evidence of oversupply of robusta coffee on the world market is substantial—, the real exchange rate should be depreciating, not appreciating, in order to move to its equilibrium level. The Atingi-Ego and Sebudde (2000) economic model of the real exchange rate estimates that the long-run elasticity of the real exchange rate with respect to aid inflows is about −0.2 and that with respect to the terms of trade is about −0.8. Given the 35 percent decline in world coffee prices from 1999 to 2001, the real exchange rate should have depreciated by 25 percent. Instead, it remained relatively constant and has recently appreciated.

The most important impact of appreciation is like-
ly to be on nontraditional exports because these are generally more cost-sensitive than coffee to profit margins. The Bank of Uganda estimates that nontraditional exports will suffer if overvaluation of the shilling exceeds 15 percent. Until September 2001, the shilling was overvalued by an estimated 8 percent relative to a base period of 1997–1999. The rate has moved little since then. However, the Bank acknowledges that the real exchange rate must appreciate further to accommodate current and potentially higher foreign aid inflows.

It is possible to analyze more extensively the consequences of this appreciation for the nontraditional export sector. The Agricultural Policy Secretariat has cost data for agricultural production and post-production activities for 1998–1999 across a broad range of crops, including both traditional and nontraditional exports. The data for coffee and a few other crops are available by region. Unfortunately, a lack of funding has halted regular collection of these data. Existing data, with some adjustments for price changes since 1998–1999, should allow estimation of the impact of alternative real exchange rates on the profitability of each export.

Implications for USAID

The effects of Uganda’s macroeconomic approach to poverty reduction hold several implications for USAID’s strategy.

- USAID’s direct approach to working with the private sector to promote rural economic opportunity (SO7) is widely perceived as highly desirable by donors, private sector associations, and even important elements within government (especially the finance ministry). In fact, most wish that this support could be substantially expanded.

- USAID’s substantial technical assistance and training (in lieu of direct budgetary support) for capacity building implies that USAID is not contributing as much as other donors to the problem of appreciation of the real exchange rate.

- The current appreciation of the real exchange rate threatens many of the export-oriented activities supported by USAID, a situation that needs close monitoring. One way is to use the agricultural policy secretariat data to investigate the sensitivity of agricultural exports to changes in the real exchange rate. Another is to communicate directly with exporters on this subject. USAID needs to communicate any detrimental impact on exports caused by real exchange rate appreciation to the government, private sector, and other donors.

Under its governance objective (SO9), USAID is supporting capacity building in a number of districts. USAID needs to assure that this capacity is in place before substantial funds are transferred to these districts. USAID’s assistance in this respect will help, albeit in a very limited way, to alleviate the problem of the Ugandan Government’s focusing too much on capacity building within the districts and will help to assure that once the funds are acquired they will be used efficiently. To the extent that USAID works with community-based producer organizations as part of the expanded rural opportunities strategic objective, the effects will be similar.

Policy Coherence and U.S. Trade Policy

Salinger and Stryker (2001, 26) define “policy coherence” as referring “to the consistency of policy objectives and instruments applied by OECD (Organisation for Economic Cooperation and Development) governments, individually or collectively, in light of their combined effects on developing countries, and especially their impact on poverty reduction.” One of the most significant U.S. policies to influence poverty reduction in recent years has been passage of the African Growth and Opportunity Act (AGOA). The Act offers duty-free admission into the United States of apparel made with yarns or fabrics produced either in the United States or in an approved sub-Saharan African country, such as Uganda. In addition, the least developed African countries are allowed to import materials used in the production of garments from other countries until September 30,
2004. This would allow Uganda to get a start on apparel exports using the cheapest material available for at least a couple of years. However, after this brief breathing spell, Uganda would have to comply with the sourcing requirement until the Act expires on September 30, 2008.

Under the AGOA, sub-Saharan African exporters of apparel to the United States would have an average 17.5 percent duty advantage relative to non-African suppliers. There are several requirements that African countries must meet to qualify for this benefit, however. To be eligible, countries must promote open markets and political systems, implement policies to reduce poverty, make efforts to fight corruption, protect human rights and the rights of workers, and eliminate child labor practices. With its strong record of reform, Uganda has met all these qualifications. The second requirement is implementation of a certificate of origin customs visa, subject to approval by the U.S. Government, to prevent illegal transshipment from non-AGOA sources. Finally, countries must agree to open their enterprises to U.S. Customs Service inspection teams and to maintain records of raw materials, employment, production equipment, and sales for five years after export for review by the U.S. Customs officials (Salinger and Greenwood 2001).

AGOA does not offer duty-free access for non-apparel textile products. Products presently produced in Uganda, such as blankets, bed linens, handbags and carrying cases, cloth art, and religious accessories, would be taxed upon importation into the United States according to the rates specified in the U.S. Harmonized Tariff System. These rates are in the range of 5 to 22 percent.

Although African countries face no limitations on apparel exports using U.S. fabrics, such limitations do exist when the apparel is made with fabric from African or other non-U.S. sources. For all of sub-Saharan Africa, this is set initially at 1.5 percent of total U.S. apparel imports and increases incrementally to 3.5 percent in 2007 (Salinger and Greenwood 2001, 4). While seemingly quite limited, this cap actually offers Africa substantial opportunity for expansion in view of the very low volume of these exports today.

Uganda would have to export apparel to the United States to take advantage of AGOA. At present, Uganda does not produce sufficiently high-quality fabric for garments that can be exported to the United States. Thus, at first, apparel would have to be made from imported fabric. This is expensive because of the high cost of importing the cloth and then exporting the apparel. However, focusing on garments first will allow Ugandan clothing firms to take advantage of the short-term access to the U.S. market through 2004 using fabric they obtain internationally. The two variables critical for success in this endeavor will be access to first-class international fabrics at world prices and emphasis on the quality of manufacture.

Over the longer run, Uganda’s textile companies should be able to produce export-quality fabrics from domestically produced cotton. This will allow exporters to benefit from Uganda's excellent medium- to long-staple fiber to produce high-quality cotton fabrics that, in turn, can be transformed into apparel to take advantage of AGOA. Implementation of an export-quality textile milling strategy, however, will require significant investment, ranging from several hundred thousand to several million dollars (Salinger and Greenwood 2001, 23). It will also take time. Thus AGOA's expiration date of September 2008 poses considerable uncertainty for potential investors, who must calculate profit margins that are already slim because of the high cost of transporting the clothing to the U.S. market.

Economic Growth and Agriculture

Background and History

From 1992 to 1998, the Ugandan economy grew by 6.8 percent annually. The agricultural sector grew by an average of 3.3 percent per year over the decade. Although manufacturing contributes less than 10 percent of the gross domestic product (GDP), the index of industrial production rose by 15 percent annually from 1989 to 1999 underlining the sector’s rising importance (Government of Uganda 2001).
Much of this success was due to policies that promoted macroeconomic stability and that removed serious price distortions that had led to a severe misallocation of resources. The result was a substantial bounce-back effect as the economy recovered from its previous lows (Stryker, Jebuni, and Musinguzi 2001). The gains recorded during this period also arose from the wide range of economic and structural reforms carried out by the government. These reforms involved finance, marketing, taxation, restructuring of government ministries and parastatals, decentralization, rehabilitation of infrastructure, and reestablishment of security of person and property and the rule of law.

Despite this record of success, fundamental weaknesses remain in the Ugandan economy. One of the most important is lack of export growth. In 1993, Uganda’s exports of goods and non-factor services equaled $294 million. They rose to a peak of $786 million in 1996 and then declined to $596 million in 2000. These fluctuations were partially due to changes in the terms of trade, especially variations in the world price of coffee, which generally accounts for about half of Uganda’s total exports (Bank of Uganda 2001).

Low coffee prices and the effects of prolonged drought and coffee wilt disease have also had a negative impact on the volume of coffee exports. From a peak of 254,000 metric tons in 1996/1997, the volume of coffee exports declined to 175,000 tons in 1999/2000 and appeared likely to fall much further in 2000/2001. The only reason why the total value of Uganda’s exports has not fallen more sharply is because of the increase in exports of cotton, tea, tobacco, and hides and skins. Nontraditional exports of cut flowers, vegetables, fish and fish products, and services have fluctuated but have, by and large, had an upward trend.

The stagnation in exports has seen a similar reduction in imports. Imports of goods and non-factor services increased from $756 million in 1993 to just over $2 billion in 2000. The resulting rise in the trade deficit has been financed primarily through growth of private transfers and foreign assistance grants and loans. These totalled $94 million and $502 million, respectively, in 1993, and climbed to $500 million and $768 million in 2000. The prospects for substantial further increases in foreign assistance are strong. Thus, economic growth in Uganda has to a large extent been led by private transfers and foreign assistance rather than by exports. This has important macroeconomic implications, explored later in this paper.

There is some evidence that the rate of economic growth is slackening. Growth of GDP was only 4.7 percent in both 1999 and 2000, despite the rising level of foreign assistance. Much of the blame for this slow growth falls on the downward trend in coffee prices and reduced coffee exports. However, neither non-coffee agriculture nor manufacturing have performed well. The most consistently rapidly-growing sectors have been electricity and water, construction, education services, health services, and especially communications. Most of the growth is related to foreign assistance inflows.

Problems and Opportunities
The major economic problem in Uganda today is a lack of sustained export growth. There is substantial evidence that exports have been the driving force behind economic growth in Asia and, more recently, other parts of the world. Growth of trade is highly correlated with growth of investment (Stryker and Pandolfi 1998). It also leads to higher productivity through expanded competition, technological transfer, and other factors. Uganda is missing out on these opportunities.

Many of the reasons for why Ugandan exports are not expanding and investment is not increasing rapidly enough are outlined in the MTCS (Government of Uganda/MFPED 2000b). Brief descriptions of five of these barriers are as follows:

- **High cost and unreliability of infrastructure and utility services.** This applies especially to...
electrical power, roads, rail transport, and some elements of air service. Although the government has started to implement major reforms in telecommunications, coverage is still low and concentrated mainly in urban areas. Costs are high.

- Weak judicial processes and corruption. A recent survey by the Eastern Africa Association reported that weakness of the judicial process was the number-one constraint on investment and economic growth. Government corruption results in increased costs, operational delays, and a non-level playing field. Tax administration, rather than tax legislation, continues to pose a major problem for both the private sector and for the tax collection authorities.

- High cost and unavailability of capital. The Uganda Manufacturers Association cited this as the greatest problem faced by the private sector. The financial sector has shown steady progress over the past decade, but this has not resulted in better and cheaper services for the business community. This can be explained partly by the large spread between lending and borrowing rates and the high interest rate on treasury bills that has prevailed until recently. Also, small and medium-sized enterprises have difficulty securing capital. Microfinance institutions have responded to some of these needs, but often there is a gap between the very small enterprises served by these institutions and the larger firms with access to commercial bank credit.

- Vulnerability to exogenous shocks and disasters. The agricultural sector is highly vulnerable to changes in weather patterns and outbreaks of pests and diseases. Diseases and pests not only affect production but also have an adverse effect on product acceptance in domestic and international markets. Similar risks also arise from civil and cross-border conflict and from Uganda’s dependence on a few export commodities.

- Unreliability of supply. A critical factor for sustaining export markets is reliable supply—delivering the right volume of the right quality at the right time. Uganda has not performed well in this respect. First, supply volumes tend to be affected significantly by weather and by the small size and limited production technologies of farms and related enterprises. Second, weather, pests and diseases, and post-harvest handling also influence the quality of exports. Third, Uganda’s export supplies are not sustained over the entire year, mostly due to weather conditions, poor post-harvest handling practices, lack of adequate infrastructure, and lack of (or failure to) enforce international standards. Delayed deliveries frequently result in rejections, cancellations of contracts, price discounts, and other punitive measures (Government of Uganda 2001b).

To increase investment, trade, and economic growth, it is imperative to identify strategic areas of high growth potential in which Uganda is likely to have a strong comparative advantage. This has been done to a certain extent (Government of Uganda 2001). Two relevant observations are listed below.

- Uganda’s inland location presents both advantages and disadvantages. The advantage is the natural protection against imports due to high transportation costs. The major disadvantage is that equally high transportation costs must be paid on Uganda’s exports. This is an especially severe handicap if goods are transformed locally from imported intermediate products and re-exported in finished form, since transport costs must be paid both ways. The problem is less acute if Uganda exports within the region instead of overseas. A future area of export growth might be products based on information and communications technologies, since transportation costs are virtually zero.

Agro-climatic conditions in Uganda are well suited to the production and processing of many agricultural and other primary products. Uganda has both long experience and relatively low costs in its traditional exports of coffee, cotton, beans, and cereals. Other exports, such as tea, tobacco, fish and fish products, fruits
and vegetables, hides and skins, flowers, cocoa, and vanilla, have expanded more recently. Uganda also exports substantial quantities of electricity. A major advantage of building on this natural resource base is the local availability of raw materials.

Uganda also has a potentially large labor force that soon will have acquired at least basic literacy and numeracy skills. With the government’s current emphasis on achieving universal primary school education, Uganda’s workforce will have the potential to climb the skills ladder. This potential will increase as children receive some secondary education. At the secondary level, children can gain more advanced skills that will be highly useful in expanding production of goods and services for export.

- **Uganda is strengthening its information and communications technology capability.** The information and communications infrastructure and regulatory system is advancing quite rapidly, and the mobile telephone industry is exploding. By 2003, it is expected that all regional urban centers will be connected with the national hub for mobile phone service, internet, and data transfer. Before long, large parts of the country, particularly at the district level, will have broadband access and reliable telephone service at greatly reduced rates.

The expectation is that Uganda will likely have a comparative advantage in at least three broad areas as follows:

- **Traditional exports based on natural resources.** Uganda has already established its comparative advantage in production of these products. However, global markets are changing and new opportunities are emerging. Significant supply-side problems must also be overcome in production, processing, and marketing.

- **Nontraditional exports based on natural resources.** Uganda is trying to penetrate foreign markets for these products. This will require considerable adaptation to global standards such as quality, timeliness, supply quantities, sanitary and phytosanitary regulations, and many other requirements that require flexibility and discipline on the part of producers, processors, distributors, and exporters.

- **Exports based on information and communication technologies.** Information and communications technology are a rapidly growing industry with great opportunities for Uganda. Unlike manufactured exports, for which transportation costs must be paid on both output and imported inputs, transportation costs in the information and communications industry are virtually zero. However, the industry is exacting and will require the development of training, infrastructure, and an appropriate business environment.

**The Government’s Approach**

The PEAP spells out very clearly the importance of economic growth for poverty reduction: “Poverty cannot decline unless the economy as a whole grows, and economic growth requires structural transformation” (Government of Uganda/MFPED 2001c, 46). This structural transformation is defined, first of all, as a shift from subsistence farming to marketed agriculture, which will occur through the exploitation of Uganda’s comparative advantage in agriculture (Government of Uganda/MFPED 2001c, 49). Secondly, the transformation will take place via a movement of some people out of agriculture into other areas or employment. As noted earlier, the PMA and the MTCS describe how the PEAP will be implemented.

**Plan for Modernization of Agriculture**

The PMA states clearly that poverty eradication in rural areas is to be achieved through the modernization and commercialization of agriculture. This will result in increased farmer productivity and more production sold in local markets, which will improve household food security. Gainful employment off the farm will be a secondary benefit of implementing agricultural modernization (Government of Uganda/MAAIF and MFPED 2000, 30–31).
Priority areas of action for the PMA include:

- research and technology development
- National Agricultural Advisory Service
- agricultural education
- rural finance
- agro-processing and marketing
- sustainable natural resource utilization and management
- physical infrastructure

The PMA calls for agricultural research, carried out by the National Agricultural Research Organization, to become more decentralized and to recognize the unique constraints faced by subsistence farmers in different agro-ecological zones. This will occur through agricultural research and development centers to be established in key ecological zones. The centers will serve as avenues for technology adaptation, planting and stocking materials, multiplication, demonstrations, training, and technology dissemination. Farmers, processors, traders, nongovernmental organizations (NGOs), and community-based organizations will have a primary role in setting the research agenda and in planning, implementing, and evaluating the research. Although the private sector will fund some of the research, most funding will come from the public sector.

By far the greatest public expenditures will be for the National Agricultural Advisory Service, which will take the place of the existing agricultural extension service. The new service will engage its clients in critical discussions regarding their agricultural endeavors and how these might be operated as business enterprises. Advisory services will expand to include market information, agro-processing, and environmental management. Services will extend down to the sub-county level and will be funded by the central government. Since most sub-counties and many districts do not have the requisite staff, “Government will provide resources to support the functional operations of the agricultural line staff at the sub-county and district levels” (Government of Uganda/MAAIF and MFPED 2000, 66). The size of non-sector conditional grants from the central government will depend on the level of funds that the sub-counties and districts allocate to agriculture modernization plan activities from their own resources (unconditional grants and locally raised revenues).

The general education program is slated to include agricultural education at all levels in order to promote agriculture as a business and to treat it as a branch of applied science focusing on experiential learning. Improved access to rural finance will concentrate on supporting microfinance institutions as well as those few commercial banks that already operate in rural areas. Agro-processing and marketing will be supported by constructing roads and encouraging competition in the transport sector. Further work will establish and rehabilitate rural markets, develop a decentralized and flexible market information system, facilitate access to international markets, create an appropriate environment enabling agro-processing, and develop a seed research and multiplication program in cooperation with the private sector. With respect to agricultural inputs, farmers and distributors will receive assistance in handling, record-keeping, and financial management.

Sustainable natural resource utilization and management will concentrate on a national land use policy, implementation of the Land Act of 1998, institutional reforms in land registry, and capacity building of local governments in land administration and management.

Water resources will be managed through:

- researching and demonstrating small-farm irrigation, water harvesting, and fish ponds
- rehabilitating or constructing cost-effective irrigation schemes, community dams, and tanks
- creating fish hatcheries
researching and controlling the quality of fish farming

developing a database for early warning systems

providing regularly updated information on weather

Forestry management will involve instituting a comprehensive legal framework, providing agro-forestry advisory services, consolidating management of protected areas, and conducting research. Environment will be a crosscutting theme in all other priority areas of the PMA.

Finally, expanded physical infrastructure in the areas of rural roads, rural electrification, water and irrigation, and telecommunications will be an integral part of plan implementation.

A secretariat and steering committee have been set up to launch the PMA. The steering committee, presided over by the permanent secretary of the Ministry of Agriculture, Animal Industry, and Fisheries (MAAIF), has six subcommittees representing different ministries concerned with implementing the PMA. The National Agricultural Research Organization has formulated its Medium-Term Plan, and the National Agricultural Advisory Service is in the process of being organized.

The PMA appears to be very ambitious, especially in establishing the agricultural advisory service in 56 districts and 900 sub-counties. It focuses primarily on the allocation of public expenditures in its priority areas of action and does not deal so much with the barriers that already exist to private investment and expansion of existing activities. Such barriers are addressed in the MTCS.

Medium-Term Competitive Strategy for the Private Sector (MTCS)

The MTCS enumerates a long list of constraints on business expansion and the actions needed to overcome them. These actions are meant to resolve issues of a general nature; additional measures are required at the sector and subsector level. To be spearheaded and monitored by the Private Sector Foundation, the strategy sets out an approach to building competitiveness based on growth clusters. The cluster approach is thought to be necessary in order to involve small and medium-size enterprises through forward and backward linkages. The role of government in this process is limited primarily to creating a favorable environment by providing the necessary policy, legal, and regulatory framework. In addition, the government may mobilize resources to help start the process and to carry out studies as needed (Government of Uganda/MFPED 2000b, xi). The medium-term strategy has five top priorities:

- **reforming infrastructure and utility services** (electric power, water, roads, railroads, air transport, telecommunications)

- **strengthening the financial sector** and improving access to commercial banks and development finance institutions (prudential requirements, payments system, supervision, resolution of non-performing assets), microfinance institutions (legal and regulatory framework, interest rate policy, role of government, capacity building, debt collection), and financial services for small and medium-scale enterprises (leasing, equity funds, capital markets development)

- **reforming the commercial justice sector** (commercial courts, commercial registries, commercial laws, competitive legal environment, transparency and sustainability, curbing corruption, business-friendly laws and regulations, training commercial lawyers)

- **implementing institutional reforms** dealing with corruption, public procurement, simplified administrative procedures, and tax administration

- **removing impediments specific to the export sector** (removing anti-export bias in the tax structure and in duty drawback and bonded warehouse schemes, export finance and guarantees, quality standards)

Other important areas include:

- improving the business environment for small and medium-sized enterprises
- dealing with globalization and regionalization issues
- handling human capital development, health, and environmental issues

In each of these areas, the medium-term strategy makes detailed recommendations regarding ownership, legal framework, regulatory structure and responsibilities, competition policy, and required investments.

Implementation of the MTCS requires close coordination among a number of ministries and other government bodies. The Ministry of Finance, Planning, and Economic Development (MFPED) plays a key role in monitoring implementation, identifying emerging issues, and consulting with relevant authorities and stakeholders to resolve implementation hurdles expeditiously. A Cabinet Implementation Committee, chaired by the president, oversees implementation and provides leadership, along with a National Steering Committee including strong private sector and civil society representation. Six technical working groups monitor progress of the MTCS, with backstopping by the Private Sector Foundation. The Private Sector Advisory Group also links with these working groups to assure that the MTCS is integrated into the budget framework papers and the overall medium-term expenditure framework.

Despite this implementation structure, private business associations are dissatisfied with the pace of implementation. There is a sense that the government’s approach to poverty eradication is biased toward direct interventions in health, education, and other areas rather than creating the conditions necessary for investment and growth. There is also a desire for the lead role to be shifted from the finance ministry to the private sector, specifically to the Private Sector Foundation.

**USAID’s Approach to Economic Growth**

USAID Uganda’s approach to economic growth is set out primarily in the strategic objective dealing with expanding economic growth in the rural sector (SO7) and in several program areas (intermediate results—IRs).

- **SO7: Expanded Sustainable Economic Opportunities for Rural Sector Growth.** This strategic objective “will assist Uganda to reduce rural-based poverty and sustain economic growth by expanding economic opportunities and increasing employment, income, and the viability of enterprises. …To achieve broad impact, the strategy will address linkages between farmers, natural resource users, other rural enterprises, and urban and international markets; devote greater attention to leveraging key reforms that foster private sector growth, competitiveness, and sustainable environmental management; and build the capacity of poor people to lift themselves out of poverty” (USAID 2001, 40).

- **IR7.1: Increased Food Security for Vulnerable Populations in Selected Regions.** This subobjective is implemented primarily by P.L. 480 Title II partners using monetized food aid and direct food assistance to improve food security, nutrition, and agricultural development. It focuses on areas of high population density and civil conflict, such as in the southwest, where there is severe risk of environmental degradation and malnutrition. This approach introduces environmentally appropriate technologies, such as agro-forestry, to assure sustainable livelihoods for the local population. Because this subobjective targets some of the poorest and most vulnerable people in Uganda, it is very much related to the country’s poverty reduction strategy.

- **IR7.2: Increased Productivity of Agricultural Commodity and Natural Resource Systems in Selected Regions.** Target areas for intervention are defined to include water catchment areas, areas of high agricultural growth potential, marginal lands with valuable nonagricultural resources that are under threat of degradation, and landscapes that can support economic diversification. This approach emphasizes environmentally sustainable farming practices that enhance soil fertility, prevent erosion, and reduce runoff. In
areas of high potential, it encourages yield-enhancing inputs, including selected seeds, fertilizers, and improved techniques of crop management. In other areas the approach promotes sustainable use of forest and wetlands.

This subobjective is strongly focused on linking farmers and other rural producers with domestic, regional, and global markets. Programs place emphasis on improving market information and infrastructure, and on developing marketing strategies. The private sector is expected to play a significant role in increasing the productivity of rural producers by delivering inputs, supplying technical information, and purchasing output.

Supported by P.L. 480 Title II resources and development assistance funds, these programs fit very neatly into the objective, expressed in both the PEAP and PMA, of shifting agriculture from subsistence farming to market agriculture by exploiting Uganda’s comparative advantage.

IR7.3: Increased Competitiveness of Enterprises in Selected Sectors. This subobjective focuses on building private-sector capacity, particularly as it relates to creating dynamic and competitive export sectors. This involves working with both community-based producer organizations and private enterprises. Each must adopt sound and profitable business and marketing strategies.

Activities under this subobjective also focus on building competitiveness within “key export-linked growth sectors,” which are commodity-based systems with significant linkages to rural producers. The subobjective also emphasizes creating opportunities for broad impact, synergies, and linkages between microenterprise, small business, and industry. This relates very well to the cluster approach promoted by the MTCS.

An important dimension of this subobjective is its emphasis on increased use of financial services by rural producers, whether these are offered by microfinance institutions or commercial banks. In this area, USAID Uganda is reducing its direct grant support to such institutions but is continuing to provide technical assistance and training and is promoting their greater rural outreach. It is also helping microfinance institutions gain access to commercial bank lending and is encouraging commercial banks to expand operations to rural areas. USAID Uganda supports improved regulation of the overall financial sector and sound banking practices. It is working with commercial banks to develop viable long-term financing for agriculture and small business, paying particular attention to the “missing middle”—small-business finance that lies between commercial banks and microfinance institutions. All of this relates closely to the priority accorded by the PMA and MTCS to the strengthening of, and improving access to, the financial sector.

IR7.4: Improved Environment Enabling Broad-Based Growth. Under this subobjective, technical assistance and training will help carry out commercial justice reforms, focusing on developing the capacity for effective alternative dispute resolution through the Center for Arbitration and Dispute Resolution. Activities under this subobjective will also assist the Commercial Court to improve court procedures, reform antiquated laws, transfer cases to the Center, and streamline commercial and land registries. This is a priority area for action in the MTCS.

In addition, this subobjective is designed to help government and the private sector understand and participate in global and regional trade agreements—an MTCS concern. Finally, activities will assist NGOs to refine their environmental policy agendas.

Conclusions—Economic Growth and Agriculture

Although the Ugandan economy has performed quite well over the past 10 years, there are indications that this expansion is slowing and is increasingly dependent on growing inflows of foreign assistance. Of particular concern is the lack of
export growth. Existing analysis suggests that Uganda has an important comparative advantage in at least three broad areas: traditional natural resource-based exports, nontraditional natural resource-based exports, and information and communications technology-based exports. However, the obstacles to exploiting this comparative advantage include 1) high cost and unreliability of infrastructure and utility services, 2) weak judicial processes and corruption, 3) high cost and lack of capital, 4) vulnerability to exogenous shocks and disasters, and 5) unreliability of supply.

USAID’s approach under the rural economic opportunities strategic objective (SO7) falls well within the guidelines offered by the PEAP, PMA, and MTCS. USAID’s policy, however, is not to provide budgetary support to the government, like many other donors, but to allocate its resources directly in support of private enterprises, community-based producer organizations, and NGOs (through training, technical assistance, and direct food assistance). This is a deliberate strategy based on the premise that direct support of these institutions is critical for economic growth and agricultural development. If these resources were to be allocated to the government’s budget, even if restricted in their use to specific sectors, there is the feeling that they would be less effective.

USAID’s approach appears to be universally supported by other donors and the private sector. There are even substantial elements within the government that favor it, especially in the MFPED. There is a general feeling that not enough attention is given to economic growth, especially export growth, and to private-sector support.

Implementation of the MTCS is proceeding slowly. The large inflow of foreign assistance is resulting in appreciation of the real exchange rate, which is hurting the export sector (see discussion later in this report). There is a need, therefore, for other approaches to be implemented for increasing productivity, providing greater export incentives, and encouraging private investment.

The major strategy for implementing the PEAP in agriculture is the PMA. This plan has serious deficiencies arising largely from its approach to disseminating improved technology. Rather than enlisting the private sector, as USAID does, the plan calls for the establishment of a National Agricultural Advisory Service with staffing and funding to be carried out at the level of 900 sub-counties. Although the concept of clients contracting for agricultural extension services is sound, it is highly unlikely that this concept can be implemented in the way that is spelled out in the PMA. In contrast, USAID’s approach offers an on-the-ground alternative that is actually working.

Most donors and private sector representatives, as well as some in government, feel that not only is USAID’s approach to economic growth and agricultural development very sound but also that it should be expanded to a much greater extent than is possible with existing earmarks and other budgetary constraints. This also appears to be the view of the mission.

Environment

Problems and Opportunities

The link between the environment and poverty reduction is sustainable use of natural resources. Poverty forces people to address their short-term needs in any way they can. In such circumstances, people seldom apply sound conservation techniques to using land or natural resources. However, when income generation is connected to conservation techniques, the poor, the environment, and the country benefit.

An exciting opportunity in Uganda is to track data on key indicators of environmental conservation or degradation in Uganda. Uganda has excellent baseline data for the entire country that is maintained by the Biomass Unit of the Forestry Authority and by Makerere University. The data could be mapped with census and household survey data to show possible relationships between poverty and the environment and natural resources.
The Government’s Approach
As part of its efforts to improve the quality of life of Ugandans, and to achieve sustainable economic development, the Government of Uganda has initiatives to conserve the environment and Uganda’s natural resources. A National Environment Act was passed, and the National Environment Authority, unlike the former, more centralized system, emphasizes working with the private sector on conservation. Likewise, a National Forestry Act was passed, and the National Forestry Authority is trying to transfer land management to local communities and is working with them on projects such as tree planting and sustainable management of forests.

USAID’s Approach
For its poverty reduction strategy, USAID combined its previous environment and economic growth and agriculture strategic objectives to create the new strategic objective Expanded Sustainable Economic Opportunities for Rural Sector Growth (SO7). In terms of the environment and natural resources, this strategic objective recognizes that the poor need sustainable environmental management and productive natural resources to help pull themselves out of poverty.

USAID’s environment work focuses on the west and southwest, with the southwest being an area of great poverty. A USAID-supported Africare project in the southwest focuses on natural resource management, agroforestry, soils, nutrition, and food security. These activities will increase agricultural productivity and generate incomes using sustainable methods. USAID has also worked in the southwest for over 10 years to protect the gorilla population. This work has moved from the policing approach—solely protecting the gorillas—to including the local communities in resource conservation. As local communities benefit from conservation practices, such as improved hillside farming techniques, they take ownership of the natural resources and work to conserve them. As a result, both the gorillas and poor communities benefit.

Conclusions—Environment
Conservation of the environment and natural resources plays an important role in poverty reduction. As the poor work to meet their needs today, resources are often quickly depleted, leaving them with fewer resources to work with tomorrow. USAID is working with the poor in Uganda to introduce techniques, such as soil conservation in hillside farming, that have both short- and long-term benefits. By linking concerns, such as agricultural production, natural resource conservation, nutrition, and food security, the poor are given ways to improve their quality of life now and to have resources available in the future for continued progress.

Democracy, Governance, and Conflict

Background and History
Uganda’s political history is characterized by an authoritarian colonial legacy followed by instability and the capture of power by force. In 1962, Uganda emerged from colonial rule by the United Kingdom. Milton Obote, Uganda’s first prime minister, declared himself president in 1966 and abolished the 1962 constitution. In 1971, Obote was overthrown by his army general, Idi Amin. Widespread terror and disastrous economic mismanagement characterized Amin’s eight-year reign. Amin’s overthrow in 1979 led to the return of Obote, but not for long. In 1985, Yoweri Museveni and his National Resistance Movement overthrew Obote, and the Uganda National Liberation Army. Museveni was sworn in on January 26, 1986 and remains the current president.

Museveni’s rule has affected Uganda in positive ways. He has followed most of the economic and human development advice of international donors, and Uganda was one of the first countries to establish a poverty reduction plan. Museveni appears to be sincerely concerned with the welfare of Ugandans—for instance, he has made extending primary education to all children and reducing the occurrence of HIV/AIDS primary goals of his administration. Museveni decentralized the government by creating an extensive system of
local government units and established requirements mandating women’s formal participation as local and national officials. There is more political competition in Uganda today than in the past, although the official ban on political parties is a major obstacle, according to some observers, to the development of democracy in Uganda.

Problems and Opportunities
Uganda has a government structure separating powers among the executive, legislative, and judicial branches. However, the balance of power most often falls to the executive, and Museveni exerts influence over most political decisions. Strengthening the capabilities and power of the legislative branch to effectively check the executive is necessary.

Uganda’s Local Government Act of 1997 transferred much of the central government’s authority and responsibility to 56 districts and over 900 sub-counties. This created an extensive structure of 24,460 government officials and 94,000 parish and village officials who have little or no experience in government or with a decentralized system. Training is necessary in all areas of government work. Widespread uncertainty regarding the relationship between the different levels of government suggests that training is needed on the roles and responsibilities of all government officials.

Corruption is an ongoing concern, as it works against democracy and the empowerment of citizens. It also prevents economic growth when foreign investors choose to avoid operating in corrupt systems. Much progress has been made in Uganda to build public awareness of the problem and to coordinate the anticorruption work of various government agencies. However, Uganda needs stronger anticorruption laws, better enforcement of the laws, and systems to prevent the occurrence of corruption.

In Uganda, conflict is an important cause of poverty. Conflict currently occurs in isolated areas of the northeast, north, northwest, and southwest. Included are international conflicts with the Democratic Republic of Congo in the west, the Sudan in the north, and cross-border warring tribal groups in the northeast. Although no evidence exists, there is a perception that the government is not concerned with the situation in the north. The north has experienced a sharp rise in poverty, while poverty has decreased nationwide. Rural poverty in the north is 67 percent and, due to security concerns, districts in the north often do not receive government services. Efforts to help victims of conflict and to bring peace to these regions are needed.

The Government’s Approach
Uganda’s PEAP includes Good Governance and Security as one of its four major pillars. To identify the primary areas of this pillar, the Government of Uganda held consultations with the poor and looked to the work of the Human Rights Commission, the Law and Order Sector Working Group, and the Governance Action Plan project. The pillar outlines the need for capacity building in the new decentralized government, transparent and efficient public expenditures, reforms in the criminal justice sector, innovative ways to disseminate information to the public, conflict resolution and support to conflict-affected areas, and disaster management.

Regarding corruption, the Government of Uganda has assessed its progress with the 1998 Government Policy and Plan of Action to Fight Corruption. The assessment identified progress in the areas of coordination of anticorruption efforts, institutional strengthening, capacity building, and public awareness. The government is now instituting the Government Strategy and Plan of Action to Fight Corruption and Build Ethics and Integrity in Public Office. The Directorate of Ethics and Integrity was created by the president in the late 1990s to serve as a one-stop center providing political leadership on anticorruption efforts and ensuring improved coordination of all anticorruption measures. The directorate works with approximately 10 government agencies on anticorruption issues.

The Government of Uganda states that it wants to end the current conflicts and reconcile rebels. It offers amnesty to all insurgents and collaborators who renounce rebellion against the government.
through the Amnesty Act 2000. So far, over 2,000 rebels from the West Nile Bank Front and over 600 from the Allied Democratic Forces in the west have been resettled under the presidential pardon and the Amnesty Act. In 1999, the government signed a peace agreement with the Government of Sudan, but it has yet to be implemented effectively. Low-intensity fighting between tribal groups in the northeast continues.

USAID’s Approach

USAID’s strategic objective More Effective and Participatory Governance (SO9) is aligned with the Government of Uganda’s Good Governance and Security pillar. There are two subobjectives (IRs):

- **IR9.1: Devolution and Separation of Powers Strengthened**, which includes work with parliament, local government and civil society.

- **IR9.2: Conflict Mitigated and Reduced**, which includes relief and development assistance to victims of conflict and promotion of dialog to reduce conflict.

Corruption is a major concern in Uganda, and USAID is incorporating anticorruption initiatives into all of its governance work. The strategic objective’s role in reducing poverty in Uganda is to create a supportive environment for USAID’s work in promoting economic growth and human capacity development.

To develop activities under the governance objective, USAID conducted focus groups with partners, stakeholders, and ultimate customers, NGOs, and members of Parliament. USAID held separate discussions for parliament, local governance, and conflict. The focus group on parliament identified the need to increase civil society participation in parliamentary proceedings and to strengthen parliamentary deliberations and the skills of its members. Discussions on local governance revealed a lack of skilled staff, unrealistic plans due to resource constraints and failure to include stakeholders’ input, corruption and lack of transparency in tendering and procurement processes, local councils’ inattention to crosscutting issues, and misunderstandings between politicians and technocrats due to unclear definitions of roles and responsibilities. The focus group on conflict identified the need to move from relief to development in conflict zones and a need for local capacity building in civil society and local and national government.

**Parliament**

USAID is the lead donor for activities with Parliament. A strong legislative branch strengthens democracy by giving citizens access to the national policy process and influence over the behavior of the executive branch. In Uganda, the Parliament needs to strengthen its oversight over the executive, gain influence in budget and policy planning, and improve its ability to shape appropriate legislation to guide and strengthen the development process.

USAID’s project with Parliament is managed by the State University of New York under the Uganda Parliamentary Technical Assistance Project (SUNY/UPTAP). The project was established in 1998 with the goal of “assisting the Parliament of Uganda with its own modernization process so that elected Members can better represent the interests of their constituents, make better laws, and provide more effective oversight of the Executive.” The project has provided training and supplies for the Parliament’s Library, Research Center, Budget Office, Public Relations and Information Office, the Department of the Hansard, the Department of Legislative Counsel, and the Parliamentary Commission.

SUNY/UPTAP now faces the challenge of a new Parliament. The seventh Parliament recently convened, and it has many new members that need training. The project provides training on Uganda’s PEAP, teaching members what it means to their districts and to the country. Training also takes place on the general legislative process and the role of the legislative branch in relation to the executive and judicial branches. SUNY/UPTAP is working to build the capacity of the Parliament’s Training Office so it can provide continuous professional development opportunities to members.
Another important part of SUNY/UPTAP’s work is connecting members of Parliament to their constituents. The project brings members together with the local councils in their districts and civil society organizations. Through its work, SUNY/UPTAP tries to remain apolitical and serve the function of bringing people together to discuss issues. SUNY/UPTAP enhanced communication between Parliament and civil society organizations by helping them start a quarterly newsletter that is written by them for members of Parliament on current issues. SUNY/UPTAP also created an internet tracking system to inform the public about where bills are in the legislative process.

**Local Governance**

USAID is the only donor working at the local level. The main focus of USAID’s decentralization work under the More Effective and Participatory Governance strategic objective (SO9) is to encourage the devolution of authority to elected local government units. Those units will become directly accountable and responsible to local citizens. It will improve the effectiveness and openness of local governments and increase community involvement in local government decisionmaking and service delivery.

USAID’s decentralization project is Strengthening Decentralization in Uganda. The goal of the project is to build the capacity of district and sub-county officials, civil society organizations, and local private sector institutions that interact with local governments. The decentralization project was preceded by the Implementing Policy Change pilot project that worked in two districts for 18 months. The decentralization project continues the earlier project’s work and has expanded to eight districts (including the two original districts) evenly distributed among Uganda’s four regions.

The decentralization project conducted district-level participatory needs-assessments that revealed similar desires among officials for skills development in local government finance, planning, and leadership. There is also the need, to varying degrees among districts, for an understanding of the decentralization process and of officials’ particular roles and responsibilities. The assessments also revealed a lack of appreciation and understanding of gender inclusion in local government plans and a lack of capacity to oversee gender issues.

Decentralization project activities include training, mentoring, and focused technical assistance for all levels of local government and civil society organizations. The project trains local trainers and mentors and uses them along with outside technical experts. The first year of activities will include training officials in management and leadership skills and in local government finance, generally and specifically in education and health. The roles and responsibilities of officials will also be covered. Gender issues are mainstreamed in every topic. For civil society organizations, training will focus on roles and responsibilities, community mobilization, networking and coalition building, and advocacy skills.

The decentralization project will also assist officials with situations that are unique to their district. For example, it will provide technical assistance to the Gulu District to develop and administer a resettlement plan for people in internally displaced person camps and to dismantle the camps. Other districts will receive assistance in developing an economic development agency, a disaster preparedness plan, or a graduated tax system.

At USAID, there is cross-sectoral coordination on decentralization because it affects all areas. The Expanded Sustainable Economic Opportunities for Rural Sector Growth (SO7) and Improved Human Capacity (SO8) strategic objectives both contribute resources to the decentralization project, and the project provides services for both of those strategic objectives. The decentralization project staff consulted with the rural growth and human capacity teams, Ugandan officials, and other key players to develop its work plan. Planned cross-sectoral activities include a workshop on managing the implementation of the school facilitation grant and technical assistance for implementing the Education Management Information System and the Health Management Information System.
ization project staff also coordinates with the USAID project working with Parliament (SUNY/UPTAP) and will work on developing relationships with the various government ministries that affect the different sectors. Donor coordination is an important part of decentralization, and project staff attend the monthly donor meetings on decentralization.

Conflict

USAID recognizes the crosscutting nature of conflict, and that people living in areas of conflict cannot fully participate in democratic or human capacity or economic development. The conflict program is integrated with all USAID programs—democracy and governance, economic growth, health, and education. Enhanced economic opportunities and improved social services are offered in conflict zones to alleviate the impact of conflict and reduce its underlying causes.

Under conflict mitigation programs, USAID Uganda continues its work with USAID’s Office of Foreign Disaster Assistance to provide safety net programs for internally displaced persons through humanitarian and transitional assistance. USAID Uganda also continues to work with the Displaced Children and Orphans Fund and the Victims of Torture fund to provide psychosocial counseling and reintegrate conflict victims with their families and communities. Through the rural economic opportunities strategic objective (SO7), food security activities, such as improved crop production techniques promoted through P.L. 480 Title II programs, offer opportunities for economic growth. These programs are administered by NGOs both inside and outside internally displaced person camps. Human capacity programs (SO8) include education, health services, and HIV/AIDS programs administered by NGOs in underserved districts and in internally displaced person camps.

In the area of conflict reduction, USAID has played a role in bringing together those in conflict, local governments, traditional leaders, and communities in the north to discuss peace. USAID continues to encourage dialog by working with indigenous, regional, and international organizations.

For the future, USAID would like to expand its conflict program to include building community conflict resolution skills, reconciliation techniques, and psychosocial healing. Additionally, it would like conflict to be a more crosscutting objective and to emphasize that poverty reduction involves dealing with the chronic problems of conflict.

Conclusions—Governance

Good governance is important to poverty reduction because it addresses the issues of empowerment and vulnerability of the poor. The Government of Uganda has put in place the mechanisms for a decentralized government, but both the institutions and the skills of the people need to be strengthened. USAID’s work in capacity building with Parliament and local government officials is playing an important role in building a strong system. Efforts by USAID to mitigate and reduce conflict are helping reach the underserved and promote peace in those regions. Overall, USAID’s work in democracy and governance provides stability for its entire poverty reduction program in Uganda.

Education

Uganda is carrying out an historic effort to provide primary education to all children. Primary school enrollment has almost doubled from 1992 levels. The government has established the right to free primary education, built many new schools, hired many new teachers, updated the curriculum, increased teacher salaries substantially, and taken other initiatives. This has been strongly supported by USAID and other donors.

Background and History—Problems and Opportunities

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 7,909 primary schools. In spite of the economic and social dislocation caused by civil war and its aftermath, this was a period when primary schools were built and students enrolled (USAID 1991). Rural surveys have found that Ugandan
villagers see lack of education as both a principal cause and effect of poverty.

A wide-ranging discussion of educational issues, initiated by the Ministry of Education and Sports in 1988, resulted in the 1992 White Paper that began the education reform process. The White Paper identified several key problems:

- low attendance rates for poor students and girls
- high dropout rate made worse in later primary grades by the difficulties of teaching in English
- extremely low teacher salaries
- lack of student access to appropriate textbooks and lack of teachers trained in their use
- overabundance and low quality of schools to train teachers
- too small proportion of the national education budget spent on primary education

**Government, USAID, and Other Donor Response**
There are three key events in Uganda’s education reform process:

- 1992 initiation of government educational reform, based on the White Paper that identified problems and possible solutions
- 1997 adoption of universal primary education, which nearly doubled primary school enrollment from 2.7 million to 5.2 million students
- 1997 establishment of the PEAP and subsequent developments, including decentralization and the introduction of the Sector-Wide Assistance Program in Education

**Reforms Initiated in 1992**
After publication of the White Paper, the government began work in early 1992 on strengthening the educational sector, with the goal of achieving universal primary education. USAID provided both project and non-project assistance through the Support for Ugandan Primary Education Reform (SUPER) project, strongly supporting primary education reform from the beginning. The World Bank also funded a large assistance program. A key USAID-assisted reform was the development of the government’s Teacher Development and Management System with 18 teacher-training colleges designated as core training centers. The centers support field professionals whose offices are in a district school and who provide ongoing teacher development and support services to teachers in approximately 20 schools.

Other key reforms, adopted during the period with USAID support, include:

- increasing teachers’ salaries tenfold, from $8 to $80 a month
- changing the provision of textbooks from a sole-source to a competitive bidding process, reducing costs substantially, and upgrading textbook content

**Adoption of Universal Primary Education**
In 1996, Museveni’s key campaign pledge was free primary education. The universal primary education initiative resulted in sharply increased enrollment rates, especially for poor children and girls (see Table 1). In 1992, only 51 percent of the poorest quintile of school age children were in school. By 1999, their enrollment rates had increased to 85 percent, nearly the same as the richest 20 percent of children. Enrollment rates for the poorest girls increased from 46 to 85 percent, again near the rate for the richest girls.

In the first year of the universal primary education reform, the student-teacher ratio, student-classroom ratio, and student-book ratio all doubled as few new teachers, schoolrooms, or books were provided.

**The PEAP and Subsequent Development**
Uganda’s PEAP, initiated in 1997, has also had a substantial impact on the educational sector, bringing even greater attention, resources, reform efforts,
and donor collaboration. The sector has had to contend with dislocations caused by decentralization and the huge increase in enrollment brought about by the adoption of universal primary education.

The PEAP clearly recognizes the importance of education, classifying it, along with health, as a key factor increasing the quality of life of the poor, one of the four major components of the PEAP. However, there are other linkages as well. Education plays a part in increasing the ability of the poor to raise their incomes—another component of the PEAP. There is also the strong health impact of improved education, especially for women, as education leads to improved childcare and health practices and smaller family sizes. The Poverty Action Fund, generated from debt relief derived under the World Bank’s HIPC initiative, devotes over 50 percent of its funds to education. The Education Sector Investment Plan is the government’s five-year strategic plan for the education sector. It also provides a budget framework.

The education sector-wide approach process involves

- coordination between the government, donors, and NGOs, including participation in Education Sector Reviews to reach agreement on key steps to be taken, and a variety of other meetings on subsector topics
- donor willingness to provide budgetary or project support to the education sector within the framework of the education budget and sector plan (current donors are United Kingdom/Department for International Development, Canada/Canadian International Development Agency, the Netherlands, Ireland/Agency for International Development, and the European Union; previous donors were the World Bank and USAID)
- donor coordination to harmonize approaches on policy and implementation

The following are achievements and concerns in key areas as of 2001:

- Classroom construction. The current pupil to classroom ratio is 100 to 1, down from 106 to 1 the previous year. Actual classroom construction was 70 percent of that planned for the year. A target of 92 to 1 is proposed for 2002.

- Teacher recruitment. The government recruited over 10,000 new teachers (though many are not qualified). The recruitment is offset by a substantial number of teachers who have quit. Qualified teachers are reluctant to serve in rural districts, leading to higher vacancies and pupil to teacher ratios. There are currently 5,492,421 students and 100,239 teachers for a pupil to teacher ratio of 55 to 1.

- Textbook acquisition. The quality of educational materials has been improved and the cost lowered. A pupil to book ratio of 3 to 1 (in key subject areas) is the target. In 2002, however, textbooks were not available in time for the beginning of the school year due to a protest by losers in new textbook bidding process.

- Budget support. Primary education receives 73 percent of the recurrent education budget.

- Educational achievement. Overall achievement remains low, especially in literacy and basic mathematics skills.

- Decentralization. Devolution of responsibility to the village level presents significant concerns for effective management and control of funds.

USAID was a key player in the education sector-wide approach. In recent years USAID has used the

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**Table 1. Primary School Enrollment Rates for Rich and Poor Children and Girls, 1992–1999**

<table>
<thead>
<tr>
<th>Primary School Enrollment</th>
<th>1992</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poorest Quintile</td>
<td>51</td>
<td>84</td>
</tr>
<tr>
<td>Richest Quintile</td>
<td>82</td>
<td>85</td>
</tr>
<tr>
<td>Girls: Poorest Quintile</td>
<td>46</td>
<td>82</td>
</tr>
<tr>
<td>Girls: Richest Quintile</td>
<td>80</td>
<td>85</td>
</tr>
</tbody>
</table>

Sources: Uganda DHS EdData Survey (2000) and Manarolla
Improving Educational Quality project to develop local capacity for school analysis. USAID is now designing a new activity that will combine health and education activities to improve girls’ health and access to education.

While progress has been encouraging, concerns remain. Improving educational achievement and further improvement in educational quality will require continued attention. Major concerns stemming from decentralization include finding qualified staff and management and ensuring funding accountability. Though the government has been a strong supporter of education, it has had revenue shortfalls in recent years and other budget priorities. Future funding for the educational sector is not secure.

Conclusions—Education
Uganda is carrying out a major effort to provide universal primary education. Since 1992, the Government of Uganda has vastly increased resources devoted to education. The government has increased the percentage of the recurrent budget devoted to education from 9 percent in 1992 to 26 percent in 2001. Primary education receives nearly three-quarters of recurrent education funds. Donor support of government education reform has increased dramatically, with USAID a leader in this effort since 1992. There is an effective budgeting and planning process and donor-government coordination, which, though not without problems, has worked very well. Concerns include improving educational attainment and basic indicators such as student-teacher ratios; resolving the still considerable difficulties in providing, utilizing, and accounting for funds from the Ministry of Finance down to the school level; and continuing the high level of funding that primary education requires.

Health, HIV/AIDS, and Family Planning

Background and History—Problems and Opportunities
At independence, Ugandan health indicators were generally good by 1960s’ standards, although child mortality rates were relatively high by current standards as was (and remains) the total fertility rate. During the 1970s and through the mid-1980s, a protracted period of poor governance and armed conflict seriously affected health services and indicators. The inauguration of the Museveni government in 1986 began an improvement in the economy and in the functioning of the government, including health services.

As Table 2 indicates, Ugandan health sector indicators have been mixed:

- Life expectancy at birth has declined in recent years, principally due to AIDS.
- The estimated AIDS prevalence rate has declined in the last 10 years from a very high level to a much lower rate—but one that is still an incredibly serious health threat. Factors contributing to the decrease have been positive government and NGO programs to prevent the spread of AIDS through education and awareness campaigns, and increased awareness and effective individual behavior change.
- Infant and child mortality rates are still quite high but have declined significantly for both the last 10- and 20-year periods. There are possibilities for improvement in child healthcare in a variety of areas. Immunization rates have declined over the last 10 years, possibly due, at least in part, to the dislocations caused by the move to decentralized health services.
- The total fertility rate is still very high at 6.9 children per woman, essentially unchanged over the last 20 years.

The Government, USAID, and Other Donor Response
USAID’s poverty strategy has emphasized primary healthcare. Ugandan Government healthcare provides many other services, such as hospitals, which are not primary healthcare and which will not be considered here. As in the typical healthcare system, primary healthcare in Uganda forms a relatively small fraction—approximately 35 percent—of total...
healthcare. General factors explaining the high proportion of resources devoted to non-primary healthcare include

- the high cost of curative care as opposed to primary care
- income differentials between the rich and the poor, leading to much different levels of healthcare
- some preference for those who direct the healthcare system in developing counties—typically medical doctors—to favor curative care

Funding for government-provided healthcare is relatively small, accounting for less than 12 percent of the government budget in recent years. Nevertheless, this is an increase over the 1970s. The PEAP has certainly helped to bring healthcare to the forefront. Healthcare is a key part of increasing the quality of life of the poor, one of the four major components of the PEAP.

Ugandan rural society, which is poor, wants improved health and education. Table 3 lists how villagers rank the 10 most frequently mentioned causes and effects of household poverty. The rankings were derived from village surveys undertaken by the Uganda Participatory Poverty Assessment Project. The assessment was designed to get the views of Ugandans on the PEAP. Both poor health and lack of education were viewed as extremely important causes and effects of poverty. Looking at health issues as causes of poverty, Ugandans see “poor health and disease” and “large families” as causes of poverty. The effects of poverty include “poor health and disease” and “death.”

### Harmonization of Ideas and Action

The government, together with donors including USAID, has focused considerable attention on...
providing primary education and primary healthcare. The donors are following the government lead as set out in the PEAP. As noted in the introduction, there have been extensive discussions on every aspect of the overall poverty strategy. A sector-wide approach as well as a Health Sector Strategic Plan were initiated in August 2000. The sector-wide approach involves

- coordination between the government and donors through semiannual formal meetings as well as other meetings on subsector issues and topics
- movement on the part of donors to provide health sector budget support
- donor coordination to harmonize approaches on policy and implementation

No less important is the establishment of a Health Sector Strategic Plan, which includes these key outputs:

- strengthening the health delivery system
- establishing a functional legal and regulatory framework
- providing integrated support systems in various areas such as information management

### Decentralization and Health Sector Funding

The government is shifting to a decentralized system for health services. Previously delivered and overseen by the Ministry of Health, the 56 local districts now have the responsibility to manage and provide local health services at government clinics. The central government is providing the funds and helping the districts develop the capacity to manage the process. Concerns with the shift to a district system include effective disbursement of funds, accounting for the use of funds, staffing, training, and the provision of drugs. An ultimate successful outcome is not assured. Sector funding is another key issue. The Health Sector Strategic Plan is relatively ambitious, and full implementation would require a substantial government funding increase. The health share of the budget was

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**Table 3. Causes and Effects of Household Poverty Most Frequently Mentioned by Ugandans**

<table>
<thead>
<tr>
<th>Causes</th>
<th>Percent</th>
<th>Effects</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor health and disease</td>
<td>67</td>
<td>Poor health and disease</td>
<td>50</td>
</tr>
<tr>
<td>Excessive alcohol consumption</td>
<td>56</td>
<td>Theft</td>
<td>44</td>
</tr>
<tr>
<td>Lack of education and skills</td>
<td>50</td>
<td>Death</td>
<td>38</td>
</tr>
<tr>
<td>Lack of access to financial assistance and credit</td>
<td>50</td>
<td>Inability to meet basic needs</td>
<td>35</td>
</tr>
<tr>
<td>Lack of access to markets</td>
<td>44</td>
<td>Low productivity</td>
<td>32</td>
</tr>
<tr>
<td>Ignorance and lack of information</td>
<td>44</td>
<td>Food shortage and hunger</td>
<td>27</td>
</tr>
<tr>
<td>Idleness and laziness</td>
<td>42</td>
<td>Limited income, funds, and capital</td>
<td>27</td>
</tr>
<tr>
<td>Lack of cooperation</td>
<td>42</td>
<td>Divorce or separation</td>
<td>24</td>
</tr>
<tr>
<td>Large families</td>
<td>42</td>
<td>Excessive alcohol consumption</td>
<td>24</td>
</tr>
<tr>
<td>Insurgency</td>
<td>40</td>
<td>Failure to educate children</td>
<td>24</td>
</tr>
</tbody>
</table>

Source: Uganda Participatory Poverty Assessment Report
7.3 percent in 2000–2001. Government revenue shortfalls have reduced the actual amount available to each sector, including health. Moreover, the government has made a commitment—the Abuja Declaration—to increase health sector funding to 15 percent of the national budget. The funding gap could severely affect the effective implementation of health services.

**USAID’s Health Sector Approach**

USAID’s strategy is to work to improve the overall performance of the system while specifically addressing the areas of greatest concern (USAID 1991, 84). This appears to have been a consistent strategy throughout the period. Table 4 lists major USAID health sector funding: AIDS prevention, family planning services, and provision of district (local) services and contributions to decentralization, child survival, and infectious disease programs. USAID also supports the health sector-wide approach.

**HIV/AIDS**

As Table 2 indicates, the estimated HIV seroprevalence rate has declined from 18.5 percent in the early 1990s to about 8 percent in 1999 (World Bank 2001, 1). Nonetheless, AIDS is taking a substantial toll on the population. An estimated 3.9 percent of the general population and 8.3 percent of the adult population was HIV-infected in 1999 (UNAIDS 2000, 3). The HIV seroprevalence rate refers to the adult population, and as children are approximately half of the Ugandan population, the national rate is approximately half of the adult rate—there are children affected with AIDS as well. In numbers, this is 770,000 adults and 53,000 children. Women represent 54.5 percent of those infected. An estimated 110,000 individuals died of AIDS in 1999 (World Bank 2002).

The economic impact of AIDS is substantial and is felt across the economy. That approximately 1 in 12 adult Ugandans is HIV-infected and presumably will die soon is an epidemic of catastrophic proportions. For families, AIDS brings substantially reduced incomes, much increased medical expenses, and reduced expenditure on other goods and services, such as children’s education. AIDS-related deaths bring burial expenses and an often-precarious situation for the children and surviving spouse, especially if the surviving spouse is female. For the country there is a loss of people in their most productive years, together with their skills and knowledge. Uganda needs substantial human capital development, and HIV/AIDS is a major destroyer of the benefits of education and training.

Since the early 1990s, Uganda has had an outstanding record of reducing HIV infection rates. USAID financial and technical support has been a key part of the HIV prevention efforts since the late 1980s. USAID’s principal programs and FY2001 obligations in this sector are

- **Delivery of Improved Services for Health** (DISH II) ($2.3 million) is a comprehensive district program discussed more fully below.
- **AIDS Information Center** ($2.4 million) provides voluntary testing and counseling at 4 main sites and at 47 affiliated institutions to over 50,000 clients annually.
- **The AIDS Support Organization** ($1.6 million) provides a range of services including counseling, medical care, and capacity building and training. It provides direct services in 8 districts and supports programs in 21 other districts.
- **The U.S. Centers for Disease Control and Prevention** supports a model district program in 12 Ugandan districts. The comprehensive

<table>
<thead>
<tr>
<th>Category</th>
<th>Obligations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family planning</td>
<td>5.0</td>
</tr>
<tr>
<td>AIDS</td>
<td>11.9</td>
</tr>
<tr>
<td>Orphans and vulnerable children</td>
<td>2.0</td>
</tr>
<tr>
<td>Child survival</td>
<td>2.4</td>
</tr>
<tr>
<td>Infectious diseases (malaria, tuberculosis)</td>
<td>4.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26.185</strong></td>
</tr>
</tbody>
</table>

Source:
program will include voluntary testing and counseling, prevention of mother-to-child transmission, and AIDS care and support activities. The model district program is about to become operational at the district level and at that point will spend about $4 million per year.

**Family Planning**
The average Ugandan woman has seven children. This puts a very substantial strain on

- **Women's health.** A large number of births substantially increases maternal mortality. There are also a large number of high-risk births to teenagers and those over 40.

- **Children's health.** The effect is due both to the relative scarcity of basic economic resources, such as food within the family, and to high-risk births, which are risky for the mother and the child.

- **Social services.** The Ugandan social service sector, which must provide education, health, and other services, is strained by the burden. Reducing the number of children would drastically reduce expenditures (or drastically improve delivery quality).

- **Economic development.** Large numbers of children strain the Ugandan economy and increase the need for job creation.

USAID has provided strong support for family planning in Uganda since well before the current poverty initiative. However, there is a concern that high-level political support is lacking. The two principal current initiatives are:

- **Commercial Marketing Strategies.** These are social marketing techniques to provide family planning commodities, such as condoms, injectibles, and pills. Social marketing activities have expanded to include products for malaria and AIDS.

- **Delivery of Improved Services for Health Project (DISH II) ($6.1 million).** The project supports the capacity of approximately 600 NGO and government health units as well as district health offices that provide services in areas such as family planning, AIDS prevention, child survival, maternal healthcare, and malaria treatment and prevention. It does this through training grants to local districts, strengthening of management systems, health communication, and other activities.

**Conclusions—Health**
Uganda faces severe health challenges, including AIDS, a high rate of child mortality, a large number of births per women, and the decentralization of government health service delivery to districts throughout the country. The government, in collaboration with other stakeholders, has designed a health strategy to address the health concerns of the Ugandan people. With the establishment of the sector-wide approach, government and donor collaboration is at a high level. There is a framework in place for the delivery of a basic package of healthcare services to the people of Uganda. USAID has addressed health issues in Uganda going back to the late 1980s and has provided critical support in key areas such as AIDS, family planning, child survival, and now decentralization. In addition to the challenges involved in improving morbidity and mortality, there are also decentralization implementation issues and funding concerns, which may inhibit or stall the delivery of basic healthcare in Uganda.

**P.L. 480 Food Aid in Uganda**
The $27.5 million P.L. 480 Title II program includes both emergency and development assistance food aid. The World Food Program distributes approximately $15 million of emergency food aid to nearly 700,000 people, primarily internally displaced persons and refugees. The development portion of the portfolio ($6.5 million) emphasizes agriculture and food security and is carried out by Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance (ACDI/VOCA), Africare, Catholic Relief Services, TechnoServe, and World
A new initiative will distribute supplementary rations to an estimated 60,000 people living with AIDS and their dependents with an expenditure of $6 million per year. While strategic objectives are not formally specified for these programs, the emergency component corresponds to the special objective for reintegration of northern Uganda (SpO); the agriculture programs relate to increasing rural household incomes (SO1); and the AIDS support activities match the health initiative (SO4). A brief description of each program follows.

- **World Food Program.** The protracted relief and recovery program supports internally displaced people and refugees in three areas: internally displaced persons in the north due to rebel fighting, Sudanese refugees from the civil war in Sudan, and internally displaced persons, again due to fighting, in a district bordering the Democratic Republic of Congo. As of September 2001, approximately 600,000 people were receiving food assistance.

- **ACDI/VOCA.** Two programs include a grants management program in rural areas and the new HIV/AIDS initiative mentioned above. The grants management program does not directly implement activities but provides assistance to NGOs and business associations to increase food production, rehabilitate rural roads, and increase financing to farmers.

- **Africare.** This program in southwestern Uganda is designed to improve food security by increasing agricultural production through new seed varieties and better cultivation techniques, improving soil conservation, providing nutrition training, and rehabilitating rural roads.

- **Catholic Relief Services.** The program increases agricultural production and farm income in three northern districts by providing access to farmland, production inputs (including improved varieties of traditional crops), and agricultural extension services. It also helps local communities recover from drought and conflict, including through rehabilitation of water storage facilities.

- **TechnoServe.** The Building Rural Enterprise Through Enterprise program is designed to encourage farmers in three Ugandan districts to adopt improved agricultural production practices, principally through farmer training and demonstration plots. The Nile Produce Trading Company program has grown to be the major maize, beans, and sesame trader in the region and has helped 20,000 farmers market their crops.

- **World Vision.** The program helps increase food security for 216,000 displaced people in Uganda’s northern districts and helps families and communities increase their agricultural production and income.

## Gender and Development

### Background and History

In Uganda, women are valued for their productive and reproductive roles. Uganda’s bride-price tradition, which differs from the Western or Asian dowry, dictates that the groom give gifts to the bride’s father that symbolize her value. Ugandan women have traditional responsibilities for farming, childcare, and domestic chores. While it is culturally acceptable for women to work outside the home, their lack of education usually limits their choices. Women usually make money by selling farm products or brewing beer. Uganda still is a male-dominated society, and the more rural an area, the less freedom women have beyond traditional roles.

### Problems and Opportunities

Better quality data, disaggregated by gender, are needed to understand the condition of women in Uganda. The Uganda National Household Survey that documents the progress of the PRSP only provides data on woman-headed households, not detailed information on women. It is therefore not possible to monitor if women are benefiting from poverty reduction programs; however, efforts are being made to change this in future data collection.

Land ownership is a large issue for women in Uganda. Women can buy land, but they cannot co-own land with men. If a man dies, the land goes...
to his sons or brothers, not his wife. There were attempts to give women co-ownership rights in the Land Act, but Parliament removed the co-ownership provisions and placed them in the Domestic Relations Bill, which has been consistently delayed and not brought to the floor for a vote since 1995.

There is affirmative action to increase the number of women in government. Local governments must have one-third of their seats filled by women, and each district must send at least one woman to Parliament. In fact, the numbers of women in government are usually higher than that because women also win at-large seats. Also, there are currently four female ministers, and the vice president is a woman. With many women taking on these positions for the first time, there is a need for building capacity—for example, in the areas of economic and policy analysis. As a result of holding these positions, women become empowered and often continue in leadership roles after their government service.

Universal primary education has eliminated the gender enrollment gap in schools, but girls’ attendance and performance are often compromised. Girls are the first to be pulled out of school due to their traditional roles in agriculture and in the home. Also, the older a girl becomes, the harder it is for her to stay in school. Although children should attend primary school from ages 6 to 12, many start school when they are 8 or 9 and do not finish until age 15. This creates obstacles for girls due to lack of sanitary conditions at school and adolescent pregnancies. Approximately 10 percent of girls drop out of school due to pregnancy.

Family planning, maternal mortality, and HIV/AIDS are major health issues for women. Unlike HIV/AIDS, there is no government commitment to population issues. There is a high fertility preference, and Uganda’s live birth rate of 6.9 children per woman is one of the highest in the world. The high number of births compromises the health of women, and maternal mortality remains high. The majority of HIV/AIDS infections are in women. Condom use for prevention has increased, but men tend to make that decision. Women are reluctant to receive HIV/AIDS counseling.

**The Government’s Approach**

While the Government of Uganda acknowledges gender issues on paper, it does not follow through with a gender approach in all areas. The government has made progress in providing primary education to all girls and securing women’s representation at all levels of government. However, it is failing in areas, such as land rights, that would give women economic power and independence. Also, family planning, a primary concern for women, does not receive the support of the president. The government is not taking important actions to address key women’s issues like voting on the Domestic Relations Bill and establishing the Equal Opportunities Commission. For poverty reduction, the government’s approach would be more successful if it paid attention to gender in its monitoring systems.

**USAID’s Approach**

USAID considers gender a crosscutting issue, and it incorporates gender into all of its programs. The mission supports the National Community of Women Living with AIDS, an organization that works with women who have AIDS and have lost their partners. The organization provides women with income-generation training, psychological support, and assistance to plan for the care of their children after they have died. Also, the Ugandan Women’s Efforts to Save Orphans helps elderly women start microenterprises to support their grandchildren orphaned by AIDS. In conflict-affected areas, USAID is working with war-affected children and is beginning to focus more on education, health, HIV/AIDS infections, and sexual exploitation of girls in the north. In democracy and governance, the Strengthening Decentralization in Uganda project trains female members of government and incorporates gender issues into its training to develop the capacity of local governments to understand and oversee gender issues.

**Conclusions—Women’s Issues**

The women of Uganda are making progress in terms of access to primary education and representation in Parliament and local governments. Areas
that need improvement are keeping girls in school, capacity building for women in government, awareness of women’s issues in local governments, land co-ownership with men, family planning, maternal mortality, and HIV/AIDS prevention. For the government’s and donors’ poverty reduction strategies, data are needed on the status of women to make sure they are receiving what they need to pull themselves forward. USAID is trying to gather more data on women to ensure its approaches are appropriate.

Poverty Monitoring and Evaluation

A very important component of Uganda’s poverty eradication strategy is to monitor key poverty indicators and evaluate the impact of interventions. The former is far more developed than the latter. Although the government has been tracking poverty indicators for some time, it is only now formulating the strategy for poverty monitoring and evaluation. This strategy is embedded, at least in draft form, in a document recently issued by the MFPED and the Poverty Monitoring Network (Government of Uganda/MFPED 2002). According to this strategy, monitoring is important for two reasons:

- It provides a two-way flow of information among beneficiaries, service providers, and policymakers regarding successful and unsuccessful interventions. This requires both the monitoring of impacts and the evaluation of activities.
- It builds accountability by revealing whether declared objectives and agreed-upon performance standards have been met. This is more of a monitoring function if it applies only to intermediate objectives. If ultimate outcomes are also covered, it is useful information but it does not necessarily imply that the outcomes resulted from the actions taken.

Data Sources and Issues

Two major sources of information on poverty in Uganda are the Integrated Household Survey (IHS) and the Demographic and Health Survey (DHS), both conducted regularly by the Uganda Bureau of Statistics. The former provides information on household expenditure, which is used as a proxy for household income, and the latter yields data on various key demographic and health indicators. Another source of qualitative information is the Uganda Participatory Poverty Assessment Project. Finally, various administrative reports provide a variety of information, especially at the district and sector levels.

The IHS and DHS provide quantitative data on poverty outcomes, which can be compared over time to track movements in poverty indicators. One limitation is that they only include quantifiable measures of human deprivation. The participatory
poverty assessment approach, however, provides more qualitative data, but comparisons across regions and over time are problematic. An effort is underway to integrate both studies and overcome their respective limitations.

The IHS fails to collect data within households, and thus it is not gender sensitive. As a result, assessments of the incidence of individual consumption poverty by gender are guesswork based on interviews with female heads of household. Future participatory poverty assessments may be able to address this issue.

Surveys like the IHS and the DHS are very expensive to conduct. As a result, samples are not large enough to provide accurate statistics at the district level. This is a major problem given the emphasis on decentralization. The Bureau of Statistics is investigating the use of geographic information system techniques, using data from the next census to generate district and sub-county information. This still leaves major deficiencies regarding data on consumption and health. A potential solution, currently under review, is to map survey data into the census using variables that are common to both. This technique has been developed at the World Bank and tested in several developing countries with considerable success.

Administrative data are often the easiest to acquire but can be very misleading, especially at the level of outcomes, intermediate processes, and even outputs. One problem is that these data are facility-based: they provide information on only those who use the facility but fail to consider non-users. The latter group often includes the poor. Another problem is that these data, collected through normal record keeping, may not be very accurate because of logistical problems, limited budgets and staff, weak skills, inadequate incentives, and poor supervision.

These data shortcomings mean that it is essential to continue to complement routine data with special surveys, such as the national service-delivery surveys, and participatory exercises focused on beneficiary groups as a whole. Such collection is expensive—which means that data collection often depends on donor funding, which may not be allocated to the most important needs unless it is in the form of basket financing.

A major limitation of data gathering and analysis to date is that it has contributed little to impact assessment. It is obviously much easier to gather data on inputs, outputs, processes, and outcomes than it is to attribute cause and effect. But such attribution is very important. Of major concern is that this may bias interventions toward those that are direct, and therefore easier to measure, than those that are indirect but perhaps more important. The importance of assessing cause and effect is recognized in the Poverty Monitoring and Evaluation Strategy (Government of Uganda/MFPED 2000, 12).

Assessment is especially important for some USAID activities. For example, in the area of economic growth, agriculture, and the environment (SO7), many of the interventions in marketing, technology transfer, and finance require some type of impact analysis to assess their effectiveness in reducing poverty. One form that this might take is to calculate multipliers based on input-output and employment data. These are available for a wide range of agricultural production and post-production activities for 1998/99 from the Agricultural Policy Secretariat. Unfortunately, these data are no longer collected regularly due to a lack of funding.
Bibliography


Annex. List of Key Interviewees

Washington, DC

World Bank
John Eriksson, OED CDF Evaluation Director
Ritva Reinikka, AFR Uganda Economist

USAID Uganda Democracy Program
Curt Grimm, AFR/DP
Kevin Bohrer, AFR/SD

USAID Uganda Country Program
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Chad Weinberg, AFR/EA, Uganda Desk Officer
Kim Lucas, AFR/AA/GHAI

USAID Uganda Environment Program
Carl Gallegos, AFR/SD
Mike McGahuey, AFR/SD

USAID Uganda Women in Development (WID) Program
Sharon Phillipps, EGAT/WID
Ruth Buckley, AFR/DP

USAID Poverty Approach
Jack Sleeper, PPC/CDIE

USAID Uganda Health Program
Krista Stewart, HPN

USAID Uganda Education Programs
Carolyn Coleman, AFR/SD
Kay Freeman and, AFR/SD/HRDD
Joe Kitts, AFR/SD

USAID Uganda

Overview of Mission program
Dawn Liberi, Mission Director
Karen Freeman, Program Officer
Jerre Manarolla, Economist

Democracy
Donald Elliott, Democracy Governance Officer

Economic policies
Jerre Manarolla, Economist
Ron Stryker, General Development Officer
Daniel Ddamulira, Economics Specialist

Education
David Bruns, Basic Education Officer
Sarah Mayanja, Education Specialist Officer

Environment
Greg Booth, Environment Conservation Officer

Food Aid
Walter Welz, Food for Peace Officer

Health
Suzanne McQueen, Health and Population Officer
Nancy Cecatiello, Health and Population Officer

Other Key Staff
Anne Fleuret, Performance Monitoring Officer
Elizabeth Kiingi, Project Development Officer

Government of Uganda

Bank of Uganda
Emmanuel Tumusiime-Mutebile, Governor
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Ministry of Finance, Planning and Economic Development
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Jassy Kwesiga, Director
Jane Nalunga, Programme Analyst

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Maude Mugisha, Director

Uganda NGO Forum (Which represents international NGOs and larger indigenous NGOs)
Warren Nyanugasira, Director
Fred Kalibwami, Programme Officer
Pherry Kabanda, Programme Analyst

Uganda Debt Network
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Private Sector

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William Kalema, President
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Development Agencies

Denmark: Danish Embassy
Thomas Djurhuus, Deputy Head of Mission

United Kingdom: Department for International Development (DFID-UK)
Michael Hammond, Director
Paul Mullard, Economic Advisor
Tim Williams, Governance Advisor
Ms. Bella Bird, Social Development Advisor

European Union
Alain Joaris, Economist
Jean Marcruiz, Economist (social sector)

Ireland: Irish Embassy
Mairtin O’Fainin, Chargé (chair of donor decentralization group)
Garvan McCann, Regional Economist
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