WORLD BANK OPERATIONS EVALUATION DEPARTMENT

OED

Uganda
Post-Conflict Reconstruction

Country Case Study Series

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Preface

Following its creation in 1946, the World Bank's first loan to the government of France was to help rebuild the country after the massive destruction suffered in World War II. Since then, post-conflict reconstruction has been a recurring theme in the Bank's work. Given the rapidly increasing number of post-conflict areas and the enormity and complexity of rebuilding in each case, the Bank is taking a fresh look at how it can best provide assistance to such troubled parts of the globe. One way is take a look at past experiences in dealing with post-conflict reconstruction in an attempt to draw some key lessons for ongoing and future operations in post-conflict areas.

This review of Uganda is one of a series of field-based country case studies assessing the Bank's recent experiences with post-conflict reconstruction. Other studies in this series include El Salvador and Bosnia and Herzegovina.

Why choose Bosnia and Herzegovina, El Salvador, and Uganda for field-based case studies of post-conflict reconstruction? Indeed, the selection of countries for case study was not self-evident, precisely because each complex emergency is unique and because every situation presents a special kind of learning opportunity. A number of considerations went into these choices.

First, in each of these countries the Bank played a significant role in attempting to assist with post-conflict reconstruction. Second, the countries are diverse in the causes of state failure and collapse, as well as the factors that influenced the initiation or resumption of Bank operations. Third, the case study countries are also diverse in terms of region and phase of Bank assistance. For example, Bosnia and Herzegovina represents a relatively new recipient of post-conflict reconstruction assistance, El Salvador is a more mature recipient of such assistance, and Uganda presents a case in which post-conflict reconstruction assistance has been essentially completed.

The field studies began with a review of project documentation and a preliminary series of interviews with relevant Bank staff to identify the main issues affecting recovery in each country. The in-country research involved visits to project sites and interviews with a wide range of respondents, including, for example, representatives from the central bank; the prime minister's office; the ministries of finance, education, health, and reconstruction; donor and United Nations (U.N.) agencies; international and local nongovernmental organizations (NGOs); parliament; veterans' associations; and district administrations.

Overview of the Uganda Case Study

This case study assesses the Bank's experience in assisting post-conflict reconstruction in Uganda. Uganda's civil war spanned a period from 1972 to 1986, with a short-lived attempt at peace and reconstruction during the second Obote administration from 1980 to 1985, following the overthrow of the Amin regime. With the victory of the National Resistance Army (NRA) and the start of President Yoweri Kaguta Museveni's administration in 1986, international reconstruction assistance resumed. The Bank has been intensively involved in reconstruction efforts, with more than 40 projects across a broad range of activities and sectors amounting to around US$2 billion (including cofinancing).

Close collaboration between the Ugandan government and the international community and strong government ownership have given the country's recovery the reputation of a "model reconstruction." While progress at the governmental and commercial center of Uganda has been steady, much remains to be done in the country as a whole. The poor outlying rural districts have shown little improvement in basic social and economic conditions. In many areas, particularly in the north, where conflict continues, pre-war conditions and levels of livelihoods have still not been restored. Investments in social sectors, such as education and health, have failed to improve overall levels of service delivery. In addition, reconstruction measures have had to be adjusted and adapted to respond to a recent government switch to decentralization and to renewed threats to stability stemming from conflict in the north and border tensions in the south. Reflecting these continuing challenges, the prevailing view inside the country is that post-conflict recovery still has far to go.

An important consideration to keep in mind with respect to post-conflict reconstruction is the differing timeframes, expectations, and political necessities that influence the operations of both donors and aid recipient governments. In this case, there are two separate but interacting post-conflict time periods. The first is the actual time in which economic and social recovery is expected to take place; in Uganda, it is estimated to take two decades or more, as private and social capital are gradually restored. By contrast, the donor timetable for policy reform and reconstruction assistance is more limited; it tends to be driven by mandates and shorter-term domestic political considerations.

Although on balance successful, shortcomings in the Bank's reconstruction program can be attributed to this disparity of timeframe and expectation. The Ugandan government, for its part, has operated on an even more compressed timetable, one dictated by a third and more pressing consideration—political necessity. But, much to its credit, the government's support for policy reforms and the restoration of the Asian community typify the kind of political commitment that has been vital to the overall success of the reconstruction program.

Acknowledgments

This report synthesizes the findings of an assessment of the World Bank's experience with post-conflict reconstruction. The objective of the assessment is to distill lessons for ongoing and future operations from the Bank's experience in providing assistance for post-conflict reconstruction. The outputs of the study include an overview and three country case studies, including this volume. The overview is entitled "The World Bank's Experience with Post-Conflict Reconstruction" (1998).

The reports were prepared by a team led by Alcira Kreimer and comprising John Eriksson, Robert Muscat, Margaret Arnold, and Colin Scott. The following consultants contributed to the country case studies: Ann Elwan, Bosnia and Herzegovina; Jose Marques and Mauricio Silva, El Salvador; and Paul Collier and Zerubabel Ojoo, Uganda.

The report was produced as part of the OEDPK publication series by a team under the direction of Elizabeth Campbell-Pagé. Barbara Balaj provided editorial and writing support for the country cases. Caroline McEuen (editor), Kathy Strauss and Aichin Lim Jones (graphics and layout), Barbara Yale and Diana Qualls (editorial assistants), and Juicy Qureishi-Huq (administrative assistant) comprise the publishing team.

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Abbreviations and Acronyms

AIDS	Acquired immunodeficiency syndrome
CARE	Cooperative for Assistance and Relief Everywhere
CAS	Country Assistance Strategy
CEM	Country Economic Memorandum
CG	Consultative Group
DANIDA	Danish International Development Agency
EDP	Enterprise Development Project
EFMP	Economic and Financial Management Project
ERC	Economic Recovery Credit
ERL	Emergency Recovery Loan
ERP	Economic Recovery Program
ESW	Economic and sector work
EU	European Union
GDP	Gross domestic product
GNP	Gross national product
HIV	Human immunodeficiency virus
IBRD	International Bank for Reconstruction and Development
ICB	International competitive bidding
ICR	Implementation Completion Report
IDA	International Development Association
IMF	International Monetary Fund
NGO	Nongovernmental organization

NITEP	Northern Integrated Teacher Education Program
NRA	National Resistance Army
NRM	National Resistance Movement
NURP	Northern Uganda Reconstruction Project
OD	Operational Directive
ODA	Overseas Development Association
OED	Operations Evaluation Department
Oxfam	Oxford Committee for Famine Relief
PAPSCA	Program for Alleviation of Poverty and Social Costs of Adjustment
PEP	Public Enterprise Project
SAC	Structural Adjustment Credit
SAL	Structural Adjustment Loan
SSRP	Social Sector Rehabilitation Project
TA	Technical Assistance
UEB	Uganda Electricity Board
U.N.	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
URA	Uganda Revenue Authority
UPE	Universal public education
USAID	United States Agency for International Development
VAB	Veterans' Assistance Board

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Summary and Lessons Learned

From Bretton Woods to the present day, the Bank has taken up the task of post-conflict reconstruction. Some of the first loans the Bank made after its founding helped to rebuild European countries after World War II. During that era, the Bank concentrated on providing physical capital. Today's challenges are quite different. The end of the cold war and the virtual explosion of civil conflicts in the 1990s have tested the ability of the Bank and the entire international community to address the devastation of human and social capital on an unprecedented scale.

Post-Conflict Lending by Region

The most significant increase came in the first half of the 1990s, when the majority of funds went to African countries (mainly Uganda). Of the US$6.2 billion the Bank has lent to post-conflict countries since 1980, 56 percent, or US$3.5 billion, has gone to the Africa Region. The next largest share has gone to the Latin American and Caribbean Region, which received just over 16 percent. The Europe and Central Asia and Middle East and North Africa Regions have received nearly equal shares, about 11 percent each, and the East Asia and Pacific Region received 4.5 percent. The South Asia Region received the smallest portion, just over 1 percent, consisting entirely of the Emergency Reconstruction Loan to Sri Lanka in 1988, following the peace accords.

> Since 1980, the volume of Bank lending to post-conflict countries has increased more than 800 percent, to US$6.2 billion, and has touched every region and economic sector.

Over the years, lending commitments to post-conflict countries have grown as a percentage of the Bank's overall portfolio. Overall lending to post-conflict countries constituted more than 16 percent of the lending commitments of the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) for fiscal year 1998. In several Regions, such as Europe and Central Asia and the Middle East and North Africa, lending to post-conflict countries makes up nearly half of the Regional portfolio. In Africa, post-conflict lending makes up close to a third of commitments.

Post-Conflict Lending by Sector

Over the past 20 years, the Bank's post-conflict reconstruction lending projects have covered every sector. Of the US$6.2 billion in lending volume, the largest portion, 32.6 percent, supported multisector projects. Multisector projects include central bank transfers to stabilize the macroeconomic situation, technical assistance loans, and general emergency reconstruction or recovery projects that have several economic and social components designed to provide rapid assistance for the most pressing needs. Of the nearly US$2 billion in multisector lending, more than half was in structural adjustment loans or credits for budget support. The multisector also includes the demining implemented in Bosnia.

Nearly 10 percent of the US$6.2 billion financed agricultural projects, and 9 percent supported transportation projects (mainly highway reconstruction). The urban development sector received 8.5 percent of post-conflict reconstruction assistance. Population, health, and nutrition received 7.4 percent of the lending amount, and electric power and other energy received 6.6 percent. Other sectors received smaller amounts of support—education, 4.2 percent; water supply and sanitation, 4.2 percent; and so on.

Need for Evaluation

In view of both the high risk and attendant potential returns entailed in an expanded role for the Bank in post-conflict reconstruction, the Bank's Board of Executive Directors called on the Operations Evaluation Department (OED) to assess recent and ongoing Bank operations in such areas. The objective of this assessment is to distill lessons for ongoing and future operations in post-conflict reconstruction. Specifically, it aims to enhance the institution's ability to respond more effectively and efficiently to the needs of societies rebuilding after conflict.

Case Study Selection

Three cases were chosen for field study: Bosnia and Herzegovina, El Salvador, and Uganda. The selection of countries for field case study was not self-evident precisely because each complex emergency is unique and because every situation presents a special kind of learning opportunity. A number of considerations went into these choices.

First, in each of these countries the Bank played a significant role in attempting to assist with post-conflict reconstruction. Second, the countries are diverse in terms of the causes of state failure and collapse, as well as the factors that influenced the initiation or resumption of Bank operations. Third, the case study countries are also diverse in terms of region and phase of Bank assistance. For example, Bosnia and Herzegovina represents a relatively new recipient of post-conflict reconstruction assistance; El Salvador is a more mature recipient of such assistance, and Uganda presents a case in which post-conflict reconstruction assistance has been essentially completed.

The Bank's Post-Conflict Response Mechanisms

Every post-conflict country is unique, and no single formula can respond to all reconstruction needs. The Bank has used a broad array of mechanisms to support the transition to peace and the resumption of economic and social development. Its lending operations have consisted of macroeconomic and sectoral adjustment reforms, direct investment, and technical assistance in support of reconstruction. Nonlending services have included damage and needs assessments, economic and sector work (ESW), Country Assistance Strategies (CAS), and aid coordination.

Key Issues Analyzed

In the case studies of Bosnia and Herzegovina, El Salvador, and Uganda, six key issues were analyzed, including the Bank's: main strengths or comparative advantages; partnerships with other donors, international organizations, and nongovernmental organizations (NGOs); role in reconstruction strategy and damage and needs assessments; role in rebuilding the economy and institutions of governance; internal management of resources and processes; and implications for monitoring and evaluation.

Main Strengths and Comparative Advantages: Stabilizing and Rebuilding the Economy

Supporting Macroeconomic Stabilization

Supporting the achievement of macroeconomic stabilization is an area of comparative advantage for the Bank and should be one of its highest priorities in post-conflict situations. Moving to macroeconomic stability as soon as possible in a post-conflict setting is crucial to economic recovery.

The Bank's performance in supporting fiscal and other structural economic reforms, such as privatization and tax policy, has been mixed. Thus, the pursuit of economic reforms should continue incrementally, taking into account the country's historical and current policy and institutional enabling environment.

The case studies confirmed that on the grounds of relevance, efficacy, and efficiency, stabilizing the economy is the area of strongest Bank performance in post-conflict reconstruction.

Rebuilding Physical Infrastructure

The Bank's assistance for rebuilding physical infrastructure, including the policy and institutional aspects, has been another strong area of performance. The areas typically most important to facilitating recovery are roads, transportation, power, telecommunications, basic housing, and water and sanitation.

Bosnia and Uganda received comprehensive reconstruction support from the Bank. In Bosnia and Herzegovina, the Bank helped start the reconstruction effort in 1996, without waiting for financial normalization and membership in the Bank. Sixteen emergency projects for the country addressed all major infrastructure and social sectors. They also incorporated a focus on employment generation and support for institutional development.

The Bank's involvement in Uganda's reconstruction was particularly comprehensive. Since the National Resistance Movement (NRM) government took power in January 1986, the Bank has coordinated closely with international donors to support the country's reconstruction effort. In the first five year after the conflict (1987–92), the Bank supported approximately 25 lending operations amounting to more than US$1 billion. It also provided financing for an Economic Recovery Credit (ERC) and a series of sector investment and reform programs (agriculture, education, health, railways, telecommunications) aimed at rehabilitating key economic and social infrastructure affected by the war.

In El Salvador, several high-quality Bank lending operations and nonlending services made significant contributions to post-conflict reconstruction and economic recovery.

Supporting Basic Production Sectors

The Bank's approach to assisting basic production sectors, such as agriculture and industry, has been for the most part indirect, concentrating on policy and institutional enabling environments and on infrastructure. Operations intended to strengthen public sector entities in agriculture in El Salvador encountered protracted problems in attempting to work with weak, inefficient, or rigid bureaucracies. This led to the canceling or restructuring of operations and to a search for alternative approaches to such functions as research, extension, and service and input delivery, relying more on the private sector and NGOs. The performance of operations that have assisted intermediary organizations in support of microenterprise and other participatory local development efforts has been mixed. The record has been relatively satisfactory in Bosnia and Herzegovina, and less satisfactory in Uganda.

Demining

Demining is unique to post-conflict situations and essential for rehabilitation and recovery. Although there are strong economic and humanitarian reasons for demining, the main lesson learned from this assessment is that Bank involvement should focus primarily on indirect, nonclearance activities such as coordination, information and mine awareness, training, and institution building.

Partnerships with Other Donors, International Organizations, and NGOs

Consultative Group Meeting Benefits

The Bank's use of consultative groups has been particularly effective for mobilizing aid resources, including facilitating the clearing of arrears (as in Bosnia), seeking a coordinated approach to macroeconomic issues, and providing information on needs and assistance flows. Some of the benefits perceived by aid recipients of a Bank role in aid coordination included the quality of its analytical and advisory services, its unique relationship with the International Monetary Fund (IMF), its credibility in the eyes of the rest of the donor community, and its potential to mobilize funds from other sources.

It helped enormously to have the Bank's leadership role clearly defined and mandated by key members of the international community, as well as strongly backed by top Bank management, as in the case of Bosnia and Herzegovina after the Dayton Accords. Even in the absence of such a designation, it is important to have a clear request from the government early on, as in El Salvador. It was also valuable for the government and the main donors to achieve a consensus on a policy framework for sustainable recovery and reconstruction, as in Bosnia and Herzegovina and Uganda. In El Salvador, holding a CG meet-

> Early leadership or participation in damage and needs assessments in post-conflict countries has facilitated the Bank's subsequent involvement in developing reconstruction strategies and in aid coordination.

ing *before* the peace accords were signed contributed to the effectiveness of coordination.

Coordination in Undertaking Damage and Needs Assessments

One area where a coordinated, joint approach among donors was particularly desirable was in undertaking damage and needs assessments, as illustrated by the Bosnia and Herzegovina experience. A joint effort in this area is not only more efficient but can also help set the stage for effective cooperation and coordination between donors and governments when implementing post-conflict reconstruction initiatives. Assistance for preparing a national reconstruction plan should also be coordinated to avoid the imposition of unnecessary burdens on the government.

The resource mobilization function of aid coordination may lead to the cofinancing of operations. This is particularly desirable for general program assistance for balance of payments and budget support, for which conditions and tranches must be synchronized. However, the Bank had difficulty in mobilizing adequate cofinancing for budget support in Bosnia and Herzegovina and El Salvador. Some donors were ambivalent toward the governments, because of concern either about the depth of their commitment to peace accords or about their accountability and legitimacy.

In-Country and Sectoral Coordination

Another challenging aspect of coordination for the Bank has been at the in-country and sectoral levels. Misunderstandings and differences can arise with other donors that have substantial resources, those that have had a long-standing coordination role, or those that have both. The case of Bosnia and Herzegovina demonstrates the importance of partnerships in the reconstruction process. The sector task forces, for example, were credited with success in information-sharing within sectors and with some success in avoiding contradiction and overlap among donors.

Coordination with NGOs

The Bank's coordination with NGOs, both local and international, and its relationship with civil society in general are also important. A strong resident mission with an NGO liaison officer in Bosnia and Herzegovina, for example, facilitated these relationships. The Bank is seen as an effective bridge between the government and NGOs there. The Bank's rather rough but improving relationship with Salvadoran NGOs could arguably have been more harmonious sooner had there been a resident mission.

Despite the presence of a resident mission in Uganda, the Bank has been criticized by NGOs and some U.N. sources for its coordination and partnership role there. Some felt that the Bank's leadership had focused the development community on macroeconomic reforms at the expense of poverty alleviation programs. In addition, the Bank was criticized for employing a "standard economic model approach" to coordination rather than adopting a special post-conflict approach. NGOs also felt that the rhetoric of partnership and participation "was moving faster than reality."

> Partnerships are key to effective aid coordination. It is critical to establish at the outset of the recovery process what each donor will do.

Rebuilding Human, Social, and Cultural Capital

Human Capital

Investment in human capital, including education and health spending, is an important component of post-conflict work. Violent conflict can decimate the human resources of a country as people are killed, maimed, or displaced in large numbers. Human capital services are typically the first to be disrupted by conflict. Education, health, and community services stop, bringing the realization of human potential to a halt. Schools, hospitals, clinics, and community centers are destroyed, as is the government's capacity to administer services. Conflict also creates newly vulnerable groups, such as the unemployed, ex-combatants, households headed by women, children, and the disabled, who are legitimate beneficiaries of reconstruction aid for socioeconomic as much as for humanitarian reasons.

Human capital or social sector work was not generally a priority in the Bank's post-conflict projects or in its ESW, both of which concentrated initially on macroeconomic, sector, and infrastructure work. El Salvador and Bosnia and Herzegovina were exceptions, with the latter portfolio containing an early and balanced inclusion of social sector work. In Bosnia, four of the sixteen projects contained social sector components. Uganda operations produced unsatisfactory results, notwithstanding some effort to prioritize health, education, and economic support for the rural poor and vulnerable groups.

> The restoration and development of human capital in the post-conflict phase is essential to establishing a base for economic rebuilding.

The El Salvador Basic Education Modernization Project was built on a Bank-supported Community Managed Schools Program (EDUCO) pilot project and employed a community-managed approach, initiated during the conflict by the communities themselves. The participatory nature of the El Salvador program contributed to consensus building and the sustainability of the peace process. Strong government and Bank commitment have also been important for performance and the achievement of objectives.

Social Capital

Inherent in violent civil conflict is the destruction of social capital, particularly institutions of governance and civil society and such basic attitudes and behaviors as trust and participation. While the severity of this problem in post-conflict countries is increasingly recognized, neither the Bank nor any other international donor has an obvious comparative advantage in this area. Analyses undertaken by the Bank and others have identified some key components of good governance and vigorous civil society that need to be addressed. These components include transparency, accountability, the rule of law, and the professions. Several recent Bank-supported pilots (as in Bosnia and Herzegovina), and World Development Institute efforts (as in Uganda) show promise in these areas.

> Reconstruction efforts must consider the possible productive difficulties women face in post-conflict situations (such as lack of labor at critical times in the agricultural season), since in many post-conflict countries a third or more of the working-age men have been killed and women are the productive basis for restarting the economy.

The Role of Women

The role of women in rebuilding social capital should also be examined and exploited. Often considered a “vulnerable group” in post-conflict settings, women have potential as strong community leaders who can facilitate the rebuilding of social capital and may be overlooked.

It is only in Bosnia and Herzegovina that the Bank has made a specific operational effort to address the particular needs of women.

Demobilizing Ex-Combatants

The related activities of the demobilization, reinsertion, and reintegration of ex-combatants into the civilian economy and society can be important to economic recovery and sustained peace. Bank-supported efforts in this area expanded in the 1990s, and the Bank has played a leadership role through the analysis of its experience in Africa. The experience of the Bank and other donors has generated several lessons, as well as some unresolved issues. For example, when the parties to the peace accords are not fully committed, one side or the other can manipulate the process. An approach narrowly targeted on ex-combatants, as opposed to an area or countrywide approach, can create resentment among local populations.

Demobilization can also sometimes be premature, particularly where a continuing threat to national security exists, as may have been the case in Uganda. The Uganda experience also demonstrates that the availability of land is an important determinant of success in the reinsertion and reintegration of ex-combatants.

Land is not a guarantee of success, however, as illustrated by El Salvador, where a substantial number of ex-combatants who have been provided land under the accord-mandated Land Transfer Program abandoned their land for a variety of reasons, including poor land quality, lack of supporting services and credit, and lack of aptitude and interest.

The Bank has acquired some expertise in public sector downsizing programs that can be applied to demobilization efforts. Training schemes have had a mixed record in both areas.

Cultural Capital

What is the justification for assisting in the protection and conservation of cultural heritage in situations of complex emergencies? Applying scarce resources to conserving cultural heritage in a post-conflict situation may seem frivolous at first glance. However, cultural heritage has the power to inspire hope and remind people of their creativity. Its destruction is a decisive way to assert primacy and control and can become a symbol of the brutality and insanity of war. So sensitive are cultural heritage sites that they can become flashpoints in ethnic and civil conflicts, as in the bombing of Bosnia and Herzegovina's Mostar Bridge.

> In attempting to reestablish civil society in the face of ethnic rivalries, protecting cultural heritage is one of the tasks requiring attention in any assistance strategy.

Although the Bank has carried out a number of projects with cultural heritage conservation components, it has little experience doing so in post-conflict situations.

The Bank's Institutional Arrangements

The case studies reveal the great importance of management decisions regarding the staffing and structuring of post-conflict country teams and the programming, design, and implementation of operations. The country director must have a mandate to give the country substantial if not full-time attention. Resident representatives need sufficient authority to make a wide range of programming and implementation decisions in the field.

Early post-conflict situations require timely and flexible programming, design, and implementation. From the initial base of a well-prepared damage and needs assessment, the Bank should refine its strategy over the few years that follow through a series of workshops and policy notes. A full CAS can be prepared when time and resources permit.

> Despite the high up-front costs, well-staffed resident missions are a precondition for successful Bank intervention in post-conflict situations.

Expeditious preparation, piloting and bridging funds, and loan instruments should be resourced at sufficient levels to enable the Bank to be effective earlier in post-conflict situations. Mechanisms for rapid procurement and disbursement should be devised for post-conflict situations, consistent with sound practice.

Implications for Monitoring and Evaluation

The effective implementation of post-conflict operations requires intensive monitoring, and the Bank must be prepared to allocate sufficient administrative budget resources for this task. Monitoring efforts should also draw on external expertise about a post-conflict country and make better use of ESW, which should include longitudinal household and community studies. Considering the need for completion information in often highly volatile post-conflict settings, the Bank should sharply reduce the interval between project closing and completion reporting, with appropriate streamlining of the process.

Summary of Main Findings of Individual Post-Conflict Case Studies

Bosnia and Herzegovina

Early, Comprehensive, and Inclusive Approach

The Bank's response to post-conflict needs in Bosnia and Herzegovina was early and comprehensive. Its role in reconstruction and economic recovery is widely perceived to have been successful by the country's authorities, other donors, NGOs, and beneficiaries. The OED team agreed with this assessment. The Bank's nonlending activities are appreciated, including providing a framework for reconstruction and guidance to donors. There is widespread recognition that Bank-supported projects were implemented quickly.

Elements of Success

Other elements of success include a fairly wide dispersion of benefits, both geographically and to a broad range of beneficiaries; involvement of stakeholders; an early and balanced inclusion of the social sector projects in order to rebuild human capital; and a contribution to local implementation capacity. The country's authorities particularly appreciated the sense of ownership afforded them by Bank projects.

Ability to Move Quickly

The peace implementation agenda dictated a compressed timetable for launching the reconstruction program. The Bank was able to adhere to this timetable for a number of reasons: the availability of planning resources, support from the Dutch Executive Director, strong and visible support from the Bank's President, its role in coordinating the planning work, coordination with other actors, and superb staff quality and dedication.

Highly Qualified and Dedicated Staff

In addition to speed, the special attention given to the program within the Bank contributed to the overall quality of the program as well. A very skilled country director was appointed solely for Bosnia and Herzegovina. Her commitment to the process, attention to speed, and quality of work were important in meeting the compressed timetable for project processing. The resident representative also played an important role in the process. His ability to deal with differing perspectives and work with all involved parties in the resolution of issues were very much appreciated by the government, donors, and other agencies.

Successful Project Implementation and Dispersion of Benefits

The OED team found that the benefits of Bank-assisted projects to date are being felt throughout the federation and are increasingly reaching Republika Srpska. The range of benefits has been delivered quickly to a diverse set of beneficiaries while involving stakeholders and building up local implementation capacity. Several factors contributed to success in the implementation phase, including early establishment of a resident mission, streamlined project process and procurement procedures, sector diversification, pilot projects and project preparation, local ownership, and widespread participation.

Economic Management in Peace Agreements

The provisions for fiscal strategy built into the Dayton Accords are of particular importance for the reconstruction work of donors, especially for the Bank. The Bosnia and Herzegovina experience demonstrates the importance of incorporating into a peace accord, to the extent possible, economic management provisions that are more likely to enhance than to obstruct the economic recovery process. Despite Dayton's built-in obstacles to effective economic governance and the continuing political tensions, the first year and a half saw substantial economic recovery. In this context, the Bank has also played a central role in the mobilization and application of external resources critical to this recovery.

El Salvador

Overview

The Bank's assistance to El Salvador focused mainly on macroeconomic reform but also included projects addressing the health and education sectors to improve the country's poor social indicators. Bank assistance was critical to laying a sound macroeconomic foundation for an impressive economic recovery during the first half of the 1990s, as well as mobilizing international economic support. While the Bank lagged behind several other donors in the volume of its post-conflict assistance, its leadership of a series of four CG meetings between 1991 and 1995 made a vital contribution to post-conflict reconstruction and economic recovery. Several high-quality lending operations and nonlending services also made significant contributions. However, no effort, with or without donor support, has yet shown any real promise for reversing perhaps the most serious socioeconomic legacy of the conflict: violent crime, or "microinsecurity," of epidemic proportions.

Reengagement before the End of the Conflict

By establishing effective working relationships with the government a couple of years before the Peace Accords, the Bank was able to provide timely macroeconomic assistance and coordination support to El Salvador's reconstruction program. The timing of the Bank's re-entry in El Salvador was propitious, although not entirely intentional. It is hard to say whether, in the absence of the earthquake disaster, the pre-Peace Accords relationships between the government, the private think-tank Salvadoran Foundation for Economic and Social Development, and the Bank would have developed as expeditiously and productively as they did.

Lending Operations

Early operations, including the two SALs and the SSRP, were well-timed. It is also clear that the Bank pursued comparative advantages in policy and institutional reform in its programming.

The Success of Post-Conflict Education Lending

In the social sectors, the Bank seized a window of opportunity in supporting EDUCO, the community self-managed education initiative of the government. This expanding initiative promises to correct and reverse some basic deficiencies in the pre-conflict educational system of El Salvador. The EDUCO experience provides a good example of post-conflict support being more than just reconstruction but also entailing a redirection of development. However, the Bank's experience providing support to the health sector in El Salvador during the early post-war years has been mixed and has not yet led to a full follow-on project.

Good Aid Coordination

The donor coordination role played by the Bank just before the Peace Accords and during the first few years of post-conflict reconstruction was indispensable. The holding of a CG meeting before the Peace Accords were signed and the commitment of experienced and capable Bank leadership to the process contributed significantly to the effectiveness of coordination. It was also important that the government gave priority to donor coordination and endorsed the Bank's supportive role.

Effective Bank Country Team

A high degree of capability, experience, and continuity combined to make for an effective Bank Country Team in the crucial years just before and after the El Salvador Peace Accords. This team made a critical contribution to the Bank's performance in a tense environment. Views on establishing a resident mission are mixed, with some believing it unnecessary, while others favor such a presence to enhance the Bank's image and relations with civil society and other donors.

Uganda

Comprehensive Involvement and Main Successes

Bank involvement in the reconstruction efforts in Uganda have been particularly comprehensive. In the first five years after the conflict (1987–92), the Bank supported approximately 25 lending operations amounting to more than US$1 billion and closely coordinated with international donors. The Bank's role was key in strengthening the Ministry of Finance and the Central Bank, removing the monopoly of the Coffee Board, assisting in sugar rehabilitation, and rebuilding roads.

Program Shortcomings

Despite good performance in reforming and rebuilding the economy, there have been several respects in which Bank involvement could have been improved: insufficient attention to consensus building; excessive use of conditionalities; and, most important, a seriously dysfunctional emphasis on raising taxation. The Bank did not always fulfill its potential comparative advantage, for example, in the power sector, a key element in recovery. Nor did it fully convert its coordination role into creating an overall strategy for reconstruction or a sector-by-sector plan.

Social Sector Shortfalls

The Bank's performance was relatively poor in the social sectors, particularly in strengthening health and education institutions. Investment in the social sectors was often premature, implemented through weak ministries, and inadequate forethought to the nature of the services the Bank was trying to support. The post-conflict period required major health sector reforms, which fell short of needs. Education investment was equally disappointing, with only an estimated 37 percent of funds reaching schools. There was too much dependence on the existing bureaucracy, and not enough use was made of NGOs.

Bank Processes and Institutional Arrangements

Regarding Bank processes and institutional arrangements, project design did not fully reflect the need in Uganda's unsettled institutional environment for a flexible, process-oriented design. This was particularly evident in the social sectors, where education and health ministries were too weak to accommodate spending, and supervening events such as decentralization and renewed conflict changed priorities. Changes in key resident mission staff, task managers, and government staff were inevitably disruptive at times. Bank staff were not generally familiar with working in conflict countries or with the international relief and rehabilitation system. Staff resources and time were concentrated in Kampala, often with little understanding or contact with international and local NGOs.

Differing Timetables for Post-Conflict Recovery

A final shortcoming of Bank projects was that, where they were not sequential, many were too short to address the projected length of recovery. There are at least two different timetables in post-war recovery, well-manifested in Uganda. The first is a real-time duration of the recovery process, which typically requires at least two decades of sustained effort, with the risk of war a recurrent phenomenon. The second timetable is set by donor considerations, which may be guided by different objectives and manifests itself through programs that do not necessarily take into consideration the very long recovery process. The government has to observe both timetables, weighing the political expediencies of short-term measures to provide security and boost confidence with the needs for longer-term recovery.

Post-colonial events in Uganda can be considered according to four time periods corresponding to the dominant political regimes: the newly independent government of Obote, 1963- 71; the Amin era, 1971- 79: Obote II, 1980-85; and the National Resistance Movement, 1986 to the present.

2
Evolution of the Conflict

Independence and the Obote Government, 1963–71

At independence, Uganda was more fortunate than most of its African neighbors in that the country had promising economic potential and comparatively good health and education services. The industrial sector produced a range of commodities satisfying much of domestic needs. The export sector was buoyant, especially with respect to cash crops such as coffee, cotton, and tea. Some minerals, including copper, were also exported. The social sector, especially education, had a good reputation throughout Africa. The provision of health services was good, and health facilities were well managed and stocked with medicines. The civil service, made up of a motivated and trained work force, was regarded as functioning well. But, trouble was brewing on the political front. Growing political conflict and Milton Obote's creation of a one-party state in the mid-1960s led to increasing tensions, culminating in the overthrow of Obote in 1971 through a military coup led by Idi Amin.

The Amin Era, 1971–79

The Amin era was characterized by notorious political mismanagement leading to severe economic decline, political instability, and increasing civil violence. An autocratic government took power, banning political activities, severely intimidating civil society, and eliminating prominent individuals perceived to be a threat to the regime. Ugandans of Asian origin, who over the years had dominated and controlled the industrial and commercial sectors, were expelled and their property confiscated as a form of political patronage. This loss of entrepreneurs and skilled manpower resulted in the breakdown of commercial and industrial sector management. Other skilled Ugandans fled the country and were replaced by illiterate soldiers and civilians who then occupied managerial positions. Standards in the civil service eroded. Shortages of goods became widespread. Much of the earnings from the coffee boom of the mid-1970s were used for military hardware and other imported merchandise. The military overthrow of Amin by a combined force of the Tanzanian Army and Ugandan exiles marked the peak of destruction. More social and economic infrastructure was destroyed, and the educated and managerial classes embarked on another wave of flight from the country.

Following the demise of Amin, there was much political uncertainty. Competition emerged among the many exiles who participated in the overthrow. As such, they failed to achieve the cohesiveness and political unity needed to support the reconstruction of a shattered economy and society. This difficult situation was exacerbated by controversies surrounding the 1980 elections. The Obote II government was formed, and conflicts soon started in Luwero and neighboring districts—the focus of opposition groups—and to some extent in West Nile by Amin soldiers. Lives and property were lost on a greater scale than in the 1970s, and reconstruction efforts came to naught.

The Obote II Administration, 1980–85

Leaders in the Obote II administration were drawn from a range of military and civilian backgrounds and political leanings, which made it difficult to resolve conflicts. Many political leaders lacked the capacity, experience, and skill to meet the challenges of reconstructing an economy mismanaged for so many years, let alone a civil society that had undergone years of intimidation and the breakdown of ethics.

In such circumstances, the contribution of donors in conflict-resolution and reconstruction efforts was limited. Foreign exchange rationing continued, and inflation was high. The gross domestic product (GDP) continued to fall, and the industrial sector never revived. The appointment of individuals through political patronage continued. The civil service was poorly motivated and failed to deliver public goods and services. Above all, the military was undisciplined in areas of conflict and security. The military overthrow of the Obote II government in July 1985 and the subsequent military defeat of the Okello Junta in January 1986 marked the end of the widespread civil strife that had engulfed Uganda since 1971.

The National Resistance Movement, 1986 to the Present

The National Resistance Movement (NRM) assumed power in January 1986, inheriting a shattered economy with a GDP that had shrunk by more than 20 percent from its peak value in 1970. Inflation was raging at an annual rate in excess of 240 percent. In addition, coffee earnings contributed more than 70 percent of export earnings.

The NRM embarked on a stabilization and structural adjustment program in 1987, with the assistance of the Bank and other donors. Priorities included restoring macroeconomic stability and taming inflation. These goals proved elusive until 1992–93, when the government adopted a strict cash budget rule aimed at preventing the printing of money to finance deficits. Subsequent results have received international recognition. Inflation has fallen to below 10 percent. Economic growth rates have averaged 6.4 percent a year for eight years, which translates into an annual increase of 3.4 percent in average incomes since the structural adjustment program began. The government has implemented a wide range of policy and institutional reforms that have increased incentives to work, save, and invest.

Many observers have noted the persistence and patience of the Bank in this reconstruction effort. The NRM government was initially wary of the Bank following controversy in some African countries that experienced difficulties with structural adjustment programs. Since 1992, the government, including the President, has demonstrated a stronger commitment to economic reform, and liberalization of the economy has accelerated.

Bank involvement in the reconstruction efforts of Uganda has been particularly comprehensive. In the first five years after the conflict (1987- 92), the Bank, in close coordination with international donors, supported approximately 25 lending operations amounting to more than US$1 billion. Bank support focused on assisting the government in achieving economic stability and in promoting long-term economic growth. The Bank has also been instrumental in rebuilding social and physical infrastructure. In this context, the Bank has also encouraged the Ugandan Diaspora to return in order to take up the task of rebuilding the nation. Still other Bank initiatives in Uganda have focused on urgent social concerns, such as primary education and targeting assistance to vulnerable groups. From 1987 to 1997, the Bank's entire lending portfolio focused primarily on reconstruction and rehabilitation.

3

The Bank's Role in Brief

From 1980 to 1985 and from 1987 to 1996, the Bank had an active portfolio in Uganda (see table 3.1). The goal of its initiatives was to assist the government with both the immediate needs of reconstruction and demobilization of the military and as the longer-term goals of economic stability and growth.

Post-Conflict Reentry, 1979 and 1986

The first attempted reentry by the Bank was during the post-Amin era after 1979. Unfortunately, it was cut short by the onset of further conflict. According to most observers, there was little the Bank could have done differently to avert the renewal of conflict or to play a more effective role. The post-1986 reentry, in contrast, raised a number of issues about the choice and timing of Bank interventions. Despite the hiatus resulting from renewed conflict in the early 1980s, earlier initiatives were "carried over" to some extent.

A Bank reconnaissance mission visited Uganda in July 1979 to identify country assistance needs. The government requested the Bank's support in five specific areas: (a) a reconstruction credit to provide emergency foreign exchange, (b) the reactivation of the project pipeline, (c) assistance in coordinating aid, (d) assistance in development planning and project preparation, and (e) the establishment of a resident mission in Kampala.

The Bank launched economic reconnaissance and appraisal missions for the First Reconstruction Credit in September 1979. The initial US$55 million credit was in the form of a quick-disbursing Economic Recovery

Table 3.1: Post-Conflict Lending Operations in Uganda

Project name	Fiscal year	Loan/credit amt. (US$ million)	Percent of total
Agriculture			
Agricultural Rehabilitation	1983	66.1	
Agricultural Development (IFAD II)	1985	9.1	
Forestry Rehabilitation	1987	13.0	
Southwest Agricultural Rehabilitation	1988	9.3	
Sugar Rehabilitation	1988	24.9	
Agricultural Sector Adjustment	1990	115.0	
Livestock	1990	21.0	
Agricultural Research and Training	1992	25.0	
Cotton Sector Development	1994	14.0	
Agricultural Extension	1996	15.8	
Agricultural Sector Management	1996	17.9	
Total, Agriculture Sector		*331.1*	*14.4*
Education			
Education II	1983	32.0	
Education IV	1988	22.0	
Primary Education and Teacher Training	1993	52.6	
Total, Education Sector		*106.6*	*4.6*
Environment			
Environmental Management	1995	11.8	
Lake Victoria Environment	1996	12.1	
Total, Environment Sector		*23.9*	*1.0*
Health			
Health I	1988	42.5	
Sexually Transmitted Diseases	1994	50.0	
District Health	1995	45.0	
Total, Health Sector		*137.5*	*6.0*
Power and Energy			
Petroleum Exploration Promotion	1985	4.5	
Power II	1985	28.8	
Power III	1991	125.0	
Total, Power and Energy Sector		*158.3*	*6.9*
Reconstruction and Structural Adjustment			
Reconstruction Credit	1980	72.5	
Reconstruction Credit II	1982	70.0	
Reconstruction Credit III	1984	16.7	
Economic Recovery I	1987	65.0	
Economic Recovery Credit I SFA	1989	12.8	
Economic Recovery Credit II Supplement	1989	25.0	
Economic Recovery II	1990	125.0	
Structural Adjustment Credit I	1991	125.0	

Table 3.1: Post-Conflict Lending Operations in Uganda (cont.)

Project Name	Fiscal year	Loan/credit amt. (US$ million)	Percent of total
Reconstruction and Structural Adjustment (cont.)			
Northern Reconstruction	1992	71.2	
Structural Adjustment Credit II	1994	80.0	
Structural Adjustment Credit III	1997	125.0	
Total, Reconstruction and Structural		*788.2*	*34.2*
Adjustment Sector			
Technical Assistance			
Technical Assistance	1980	8.0	
Technical Assistance II	1983	51.3	
Technical Assistance III	1988	18.0	
Economic and Financial Management	1992	29.0	
Institutional Capacity Building	1995	36.4	
Total, Technical Assistance Sector		*142.7*	*6.2*
Telecommunications			
Posts and Telecommunications Rehabilitation	1983	22.0	
Telecommunications II	1989	52.3	
Total, Telecommunications Sector		*74.3*	*3.2*
Transportation			
Highways III	1984	51.3	
Highways IV	1987	16.7	
Railways I	1989	7.0	
Transport Rehabilitation	1994	75.0	
Total, Transportation Sector		*150.0*	*6.5*
Water Supply and Sanitation			
Water Supply Engineering	1981	9.0	
Water Supply and Sanitation Rehabilitation	1984	28.0	
Water Supply II	1990	60.0	
Small Towns Water	1994	42.3	
Total, Water Supply and Sanitation Sector		*139.3*	*6.0*
Other			
Phosphate Engineering	1982	3.9	
Public Enterprises	1988	15.0	
Poverty and Social Adjustment Costs	1990	28.0	
Enterprise Development	1991	65.6	
Urban I	1991	28.7	
Financial Sector Adjustment	1993	100.0	
Private Sector Competitiveness	1995	12.3	
Total, other sectors		*253.5*	*11.0*
TOTAL		2,305.4	100.0

Loan designed to transfer resources rapidly to meet short-term foreign exchange needs and to supply inputs for productive sectors. In addition, the Bank began rehabilitation and technical assistance in other sectors, such as agriculture, education, industry, mining, posts and telecommunications, and water supply. It also convened a Consultative Group (CG) meeting of donors and appointed a resident representative in July 1982.

The Reconstruction Credit was actually disbursed over three years instead of the expected four months. There were several reasons for the prolonged disbursement period. First, the Bank was overoptimistic in its expectations about the reconstruction process, which proved to be far lengthier and more complicated than initially anticipated. Second, political uncertainties also contributed to delays. Third, procurement and disbursement procedures slowed progress considerably. Finally, although the project was designed as an emergency operation, it evolved into a policy loan, with attendant conditionality-related delays.

Despite the disbursement delays, the Reconstruction Credit did provide resources more quickly than traditional project lending. The first and second Reconstruction Credits and the second SAL accounted for almost all resource transfers in the first four years of the resumption of Bank operations in Uganda. Moreover, early Bank involvement was seen to have facilitated a fruitful country dialogue with respect to economic policy and management issues.

Lending for Recovery, 1986–97

The Bank provided support to the Ugandan government's Economic Recovery Program (ERP) through a set of policy-based credits. The projects were interrelated and supported the objectives of the reconstruction program. The First Economic Recovery Credit (ERC I), approved in 1988, aimed to stabilize the economy and to create a policy environment conducive to rapid growth with an efficient use of resources from previous credits.

> The entire portfolio from 1987 to 1997, which includes more than over 40 credits approaching US$2 billion, focused on reconstruction and rehabilitation. This is not readily apparent from the project titles in the portfolio, or from some of the project documentation. Only one credit was an Economic Recovery Loan, and many others made little reference to conflict and its effects.

The Second Economic Recovery Credit (ERC II), approved over the three-year period 1990–92, supported the economic recovery program through demand management—that is, interest rate reform and fiscal measures designed to contain the budget deficit. In addition, it included support for liberalization of trade policies and the revitalization of the private sector. Finally, it also aided the government in reforming public sector management.

Subsequent Bank loans provided continued support for some elements of the earlier ERC II project. Coffee sector reforms were continued under the Agricultural Sector Adjustment Credit, approved in December 1990. The first Structural Adjustment Credit (SAC), approved in 1992, also made improvements in the trade regime, the Investment Code's operational guidelines, and the Custodian's Board's operations. It supported revenue mobilization by the public sector, as well as the reform of the civil service. The Financial Sector Adjustment Credit picked up on themes of interest rate reform and restructuring of the banking system. With respect to the private sector, a Sugar Rehabilitation Project sought to rehabilitate a sugar estate and to strengthen institutional capacity for monitoring the performance of the industry.

Regarding the reconstruction program, the Bank also launched major efforts to help rebuild basic infrastructure in Uganda through a variety of projects, including Telecommunications II, Railways, Water Supply II, and Power III.

Five technical assistance (TA) operations were approved in the period after 1980: TA I, TA II, and TA III, the Economic and Financial Management Project, and the Institutional Capacity Building Project. All of these projects had as their central objective helping core economic ministries and agencies design and implement a series of economic reforms. They also strengthened the systems and capacities within the particular agencies. Also on the public sector side, the Public Enterprises Project sought to restore the country's productive capacity while difficult reforms were being implemented. This project overlapped with a follow-on Enterprise Development Project.

Other Bank efforts in Uganda have focused on urgent social concerns with economic or human capital consequences. These included the Alleviation of Poverty and Social Costs of Adjustment, which targeted primary education and vulnerable groups such as orphans, war widows, and retrenched civil servants. The TA III operation encouraged Ugandans living outside the country to return and help rebuild the nation. A number of other projects, including the Northern Reconstruction Project, First Health Project, and Education IV, helped to rebuild both social and physical infrastructure. Finally, the Urban I Project rehabilitated urban infrastructure and institutions in Kampala, the nation's capital.

Donors and the government appreciated the Bank's role in aid coordination, noting its close relationship with the IMF, its interest in partnership, and its preparation of accurate planning data as key advantages. Coordination and strategizing with respect to particular sectors or programs were less evident. NGOs were less enthusiastic about the Bank's coordination role, feeling that the rhetoric of partnership and participation "was moving faster than the reality" and that the Bank was still not very transparent about its role. The Bank improved this shortcoming through its well-used public information center in the Uganda resident mission. However, several interlocutors, including some Bank staff, have called for a more proactive information strategy addressing the Ugandan public.

4

The Bank's Role in Aid Coordination

Since 1986, the Bank has organized nine CGs and has held regular donor meetings, including the monthly donor meetings that take place in the resident mission. Subgroups of the monthly meeting also work on specific task areas. The Bank has also coordinated planning in reconstruction activities through the preparation of Country Economic Memoranda (CEM), CASs, and other studies. The Bank's coordination role has undoubtedly been made easier by a shared view of policy imperatives with the government and donor community.

The Bank's Relationship with Donors, NGOs, and the International Community

Donor Views

Respondents, especially the donors, were generally favorable toward the Bank's aid coordination activities. According to one donor, this role was enhanced because the Bank was "here and positioned before many of the bilateral donors." The Bank's ability to work closely with the IMF, in particular, was recognized as a key advantage. These sentiments were expressed by both government and donor sources. The Bank was "very open and interested in partnership," remarked one donor. Uganda even set a precedent in coordination when, to provide an example of best practice, it allowed Eritrea to attend the CG meeting in Paris.

Government Views

Government sources thought a useful aspect of the Bank's coordination role was the preparation of accurate planning data. For example, a population census, including data on housing, schooling, and population growth, said one senior official, "gave a good start in the 1990s." The coordinating value of Bank damage and needs assessment was proven by the universal demand for preappraisal project documents and CEMs.

Beyond the macroeconomic framework, coordination with respect to particular sectors or programs was not evident. This was contrary to the popular view that the Bank's comparative advantage was in its multisector nature and potential ability to coordinate across sectors, as it did when it engaged several donors in the demobilization and reintegration program.

Guiding principles in sectors such as health and agriculture were also lacking, according to donor sources. In addition, implementation suffered from coordination problems. In the case of the Northern Uganda Reconstruction Project, for example, confusion and delay were reported by the Bank and cofinancing donors. Nationally, despite coordination structures, some replication of project initiatives was also noted, along with "too much donor competition" in a "donor-driven" environment. In sum, then, Bank coordination did not extend to comprehensive strategizing.

> Despite the Bank's respected performance in aid coordination, it was lacking an overall strategy for reconstruction and prioritized sector activities. As one Bank staff member explained, "we didn't know we were in a reconstruction program until it was given that name later."

Bank-European Union Relations

One possible exception to the Bank's effective relations with donors was in its interactions with the European Union (EU). Here, a mutual lack of detailed understanding was apparent There was little informal contact outside of the monthly coordination meetings, although the two were located only one staircase apart in the same office building. In light of their proximity, one explanation given for their separation—that they operate with different parts of the government (actually different departments of the finance ministry)—hardly seemed credible.

NGO Views

Not all of the Bank's partners were quite so enthusiastic about the Bank's coordination role in Uganda, particularly some NGOs and U.N. sources. Some felt the Bank's leadership had focused the development community on macroeconomic reforms at the expense of poverty alleviation programs. In addition, the Bank was criticized for employing a "standard economic model approach" to coordination rather than adopting a specialized post-conflict approach.

NGOs also felt that the rhetoric of partnership and participation "was moving faster than the reality" and that the Bank was still secretive in its role. This opinion was corroborated by widespread NGO views of Bank activities. "Very few of our people really follow what the World Bank is doing," commented one Ugandan NGO, indicating the need for greater dissemination of information on Bank activities. Moreover, the U.N. system as a whole was difficult for these commentators to comprehend, such as when the United Nations Development Programme (UNDP) also played a coordination role at times.

Information and Public Relations

Providing information about the Bank's activities is, arguably, integral to its coordination role. Yet the level of understanding of the Bank's work in Uganda was generally low, even within the aid community. This was partly a product of history. Traditionally, the Bank saw itself in a confidential relationship with its perceived client, the government of Uganda. But the ignorance was also a product of a more general attitude within the aid community that "information was power" and was to be shared only for the benefit of the sharing institution. Undoubtedly the Bank had done much to improve this shortcoming through its well-used public information center at its resident mission. But this passive resource was not matched by any proactive information strategy addressing the Ugandan public.

Even some Bank staff expressed the need for a concerted effort to take the lead in making beneficiary groups more aware of their potential to draw on Bank resources. Others felt communications and public relations skills might be an important consideration in selecting staff for the resident mission. One major donor expressed the need for "more deliberate exposure of what the Bank was doing."

Despite good performance in reforming and rebuilding the economy, there are several respects in which Bank involvement could have been improved: insufficient attention to consensus building; excessive use of conditionalities; and most important, a dysfunctional emphasis on raising taxes. Nor did it fully utilize its coordination role to create an overall strategy for reconstruction or a sector-by-sector plan. The role of the Bank was key in assisting the rehabilitation of the sugar industry, in removing the monopoly of the Coffee Board, and in rebuilding roads. But the Bank did not always fulfill its potential comparative advantage, as in the power sector, a key element in recovery.

5

The Bank's Role in Stabilizing, Reforming, and Rebuilding the Economy

The long period of social disturbance in Uganda profoundly changed the endowments and structure of the economy, depleting it of human, financial, public, and social capital. Private agents retreated into informal and subsistence activities. These processes are reversible only on a long-term scale of perhaps two decades. In the interim, they impose constraints on policy reform and service delivery. For Bank operations to be effective, there is a need both to respect these constraints and to accelerate their relaxation. This section focuses on the effects of civil war on the Ugandan economy and an evaluation of Bank lending operations in that context.

The Legacy of Civil War and Its Economic Implications for Development Strategy

Although the typical image of civil war is one of physical destruction, this is only one aspect of the real economic damage. In this respect, a civil war cannot be compared to an earthquake that causes the same amount of physical destruction. Indeed, a civil war alters both the level and the structure of economic activity in ways that persist beyond the war. To understand this, it helps to look at a few useful concepts.

Effects on the Different Types of Capital

Private Capital

The post-war period of a given country can be characterized by very rapid growth or by continued rapid decline. The outcome depends on the interplay of the credibility of the peace and the extent to which private agents have adjusted their portfolios during the war. Unless a peace settlement is unusually robust, the rational expectation is that civil war could likely reerupt. This presents a much riskier investment environment than during the prewar period.

What happens to capital stock during a war? If the capital stock could be moved into and out of the country at will, it would drop abruptly and catastrophically during the war and then partially recover after it. This partial recovery would give rise to a "peace dividend." However, the capital stock cannot be moved into and out of the country at will. Even though regulations to prevent capital leaving the country can be largely evaded, the major impediment to capital flight during a civil war is that much of the capital stock is virtually immobile once installed. A coffee plantation, for instance, cannot be uprooted and replanted elsewhere; a building cannot be relocated. Therefore, such investments are shifted out of the country gradually. The money normally spent on maintenance and replacement is instead removed from the country, so that the capital stock declines through depreciation.

> The neglect of infrastructure investment and maintenance so evident during civil wars can be thought of as part of a portfolio strategy of capital flight.

Because the exodus of capital during a civil war is a gradual process, the actual capital stock will be greater than that which investors would have chosen were they free to remove capital at will. The war may end before or after the capital stock has fully adjusted to its "preferred" wartime level.

During civil war, the growth rate of per capita GDP is typically reduced by 2.2 percent per annum, implying that in most economies per capita incomes will be falling.[1] This annual loss of 2.2 percent constitutes a leveling effect on economic activity—that is, as the war continues, the level of income gradually falls further and further behind what it would have been during peacetime. The main process causing this growth loss is the exodus of private capital. Other factors, such as economic disruption and diversion, may also be at work.

Conflict Duration and Effect on Private Capital

If the war continues for a long time, to the extent that the capital stock has been fully adjusted to the lower preferred wartime level, then peace, even if fairly precarious, will produce a large peace dividend. The reason for this is that the desired capital stock rises as a result of peace, and the previous capital flight enables a rapid reallocation of portfolios to bring the capital stock up to the newly desired level. After the typical 15-year civil war, the growth rate of per capita GDP in the first five years of peace is augmented by 5.9 percent each year above its underlying rate.

If, in contrast, the war is brief, then the capital stock is unlikely to have adjusted very much. Still, capital stock may fall short of desirable levels in the post-war period. Private agents will, of course, be pleased that the war is over and may wish to hold a larger capital stock than during the war. But because they did not have time to adjust their actual capital stock, they continue to want to reduce it. In this case, despite the peace, capital stock continues to decline.

After a civil war lasting only one year, the economy continues to lose growth of 2.1 percent yearly during the first five years of peace, relative to its underlying rate. Thus, the decline during the post-war period is indistinguishable from the decline during the war itself (2.2 percent). This is evidence that the major force causing a loss of growth during a civil war is the exodus of private capital (which continues after a short war) rather than the direct disruption and destruction brought about by the war.

The focus of post-war policy should be on restoring confidence in the economy and in peace prospects, so as to reverse the exodus of capital. Evidence suggests that by the early 1990s, around 70 percent of African private wealth was held outside the continent- a far higher proportion than any other region.[2] The portfolio choice between domestic investment and deposit abroad is indeed central to the African growth process.

If this focus on portfolio choices is correct, what are its implications? First, paradoxically, the most difficult problems arise after short wars rather than long ones. Even a half-hearted peace settlement after a very long war is likely to be sufficient to increase the capital stock somewhat, so that the early post-war years will be characterized by rapidly rising incomes. Conversely, after short civil wars, the likely scenario is continuing economic decline, presumably making it more difficult to maintain the peace.

The Uganda Experience

How does the concept of the portfolio substitution apply to Uganda? A key factor in the analysis above is the extent to which the capital stock adjusted during the civil war. However, in Uganda, the duration of civil conflict is not straightforward. By one definition, civil disturbance began with Amin's expulsion of the Asians and did not end until the NRM government assumed power. By an alternative definition, there was temporary peace from 1980 to 1982, followed by war from 1983 to 1986. By yet a further definition, peace was not restored until around 1989, when the north was largely secured.

Evidence from the behavior of private investment suggests that the capital stock had not fully adjusted by 1986. Investment remained very low until 1993. The growth rate certainly increased, but not to the spectacular levels implied by the multicountry regression analysis cited above. Even had the underlying growth rate for Ugandan per capita GDP been zero, the first 5 years after a 15-year disturbance would normally have seen per capita growth rates of 5.9 percent. Uganda eventually reached such growth rates, but only from 1994 onward. The period from 1986 to 1994 was therefore characterized by atypically slow growth for recovery from prolonged civil war. Evidence indicates that the early years of peace were atypically uncertain, delaying the return of private capital (financial and human).

The initially low level of investor confidence was a key factor in the post-war economy. By the end of the civil war in 1986, Uganda had the worst risk rating of the 25 countries then rated by *Institutional Investor* in Africa. A survey of potential and actual investors in Uganda conducted in 1993–94 found that noncommercial risk was rated as the single most important impediment to investment, well ahead of such factors as infrastructure (World Bank 1994b). Within the area of noncommercial risk, the two biggest fears were policy reversal and a resumption of civil conflict. Thus, the recovery in private investment was delayed until 1994 (table 5.1).

Table 5.1: Private Investment in Uganda

Year	Ush billion (1991 prices)
1985	117.0
1986	111.4
1987	137.1
1988	134.1
1989	148.6
1990	172.7
1991	193.4
1992	200.8
1993	228.6
1994	307.0
1995	391.3

Source: Background to the budget 1996- 97.

Estimates of private capital inflows show a similar pattern. They were small and constant before 1994–95, whereupon they almost doubled, growing further in 1995–96. These increases in private investment and private capital inflows coincided with a sharp improvement in the risk rating for the economy, which rose steadily from 5.2 (out of 100) in March 1992 to 16.2 by October 1996. While this is a rapid recovery, it is important to bear in mind that this remains a very poor risk rating, approximately on par with Nigeria. By comparison, Botswana and Mauritius have ratings of around 50. While the time series are too short for econometric analysis, the data are consistent with the hypothesis that the structural break in the economy occurred not with the end of the civil war in 1986, but around 1992, after which investor confidence rose and private investment recovered.

The structural break around 1992 coincided with a major policy change in the economy. As identified in Bank audit reports, the government appeared to be ambivalent about the reform program before 1992. This ambivalence had an impact on donor conditionality. During fiscal 1991–92, there were disagreements between the government and the donors as to which of two exchange rates should be applied to aid receipts. This caused serious delays in donor disbursements. The government failed to adjust the budget in time, resulting in a rapid spiral of inflation to an annualized rate of 230 percent by March 1992. This episode of inflation sufficiently scared the political leadership, prompting a change in the economic management team and a new sense of ownership of the reform program. The government's actions led to an upgrading of Uganda's economy rating with investors. By 1994, Uganda was among the most rapidly growing economies in the world. This can be interpreted as partly a delayed peace dividend.

> While international wars tend to produce cohesion in the domestic population, increasing trust and reducing opportunism, civil wars damage social capital and introduce an expectation of opportunistic behavior.

Human Capital

Although the discussion above has focused on private financial and physical capital, a similar story could be told with respect to human capital. From the early 1970s onward, there were very large losses of educated Ugandans, a flow that began to reverse in the 1990s.

Social Capital

The effect on social capital—that is, social cohesion and trust among the people—may be one of the major differences between civil and international wars.

For instance, it can pay for people to "cash in" on their accumulated social capital, using it either to cushion consumption (the dissavings effect) or for capital flight (the portfolio effect). If society switches from a high-trust to a low-trust equilibrium, the cost of enforcing transactions increases and the mode of transactions shifts from credit to cash, which is a highly restrictive form of business.

If the society has moved to a low-trust equilibrium, the restoration of social capital in the post-war era is problematic—that is, the low-trust equilibrium might be locally stable. The rebuilding of standards in the professions—doctors, lawyers, accountants, and civil servants—is likely to be at the core of this process. Since these professions largely depend on self-regulation, one strategy to rebuild trust is to internationalize accreditation procedures.

There were severe losses of social capital in Uganda. The legal system deteriorated, increasing the difficulties of contract enforcement. For example, banks considered Uganda to have acquired a culture of nonrepayment. They could not make assets function as collateral because they could not rely on court decisions. A survey of the banking system conducted by the Bank of Uganda in 1995 found that the reform most wanted was a fast-track legal procedure for loan recovery. Also, the confused property rights following the expulsion of the Asians blighted private investment and encouraged opportunistic legal claims.

There was a generalized collapse of standards in the professions. In the legal profession, a 1995 survey found that only a quarter of lawyers considered the judiciary fully independent of the executive (Widner 1997). It also found that lawyers' knowledge of the law was quite deficient. In the civil service, the objective of service delivery had become secondary to that of personal survival.

In the education sector, a survey of nonsalary primary education releases from the central government conducted in 1996 found that only 36 percent of the money actually reached primary schools; the remainder was retained by district-level administrations (Ablo and Reinikka, forthcoming).

In the health sector, a matching attempt to track expenditures broke down because the basic financial information needed to trace expenditures through to the health clinic level was not available. In the absence of such information even for audit purposes, the use of resources in their intended fashion appears to be voluntary. In the medical profession, there has been widespread malpractice with respect to drugs and there is evidence of inadequate knowledge. A study of prescription practices in Mulago Hospital, the main hospital in the country, found an incidence of misprescription of about 50 percent. Although sufficient drugs were imported into the country for the population, the public health services were chronically short of drugs because of their diversion to the private practices of doctors working in the public system.

Public Capital

Public capital is not subject to the same process of portfolio substitution as private capital and, therefore, is likely to be less depleted by social disturbance. There is also no equivalent to the repatriation process. But donors do shift their portfolios, resulting in a suspension of aid flows during civil war and a resumption after the war. These shifts are somewhat analogous to private portfolio choices. Public capital is depleted during war partly by destruction and partly by dissavings on the part of the government. Typically the government will squeeze capital formation in order to fight the war. This creates an obvious need for physical reconstruction in the post-war era.

Effects on the Structure of Economic Activity

The loss of private, human, public, and social capital during war induces agents to reallocate their remaining resources between activities. The sectors most vulnerable to war are intensive in transactions and capital. These include manufacturing; supply transactions services, such as the distribution sector; or capital, such as the construction sector. By contrast, the safest sector is subsistence agriculture, which does not depend on transactions and uses few assets. Table 5.2 catagorizes activities on the schema above into war-vulnerable, war-invulnerable, and a residual (unassigned activities) and shows how the shares of the three catagories changed during and after the period of disturbance.

Table 5.2: The Composition of Ugandan GDP by War Vulnerability

	Percent share of GDP at constant 1991 prices		
	1971	1986	1993-94
War-vulnerable	42.5	24.0	28.7
War-invulnerable	20.5	36.0	32.1
Unassigned activities	37.0	40.0	39.2

Source: Collier and Pradhan 1997.

There were large shifts between the war-vulnerable and war-invulnerable sectors, whereas the share of unassigned activities stayed fairly constant (suggesting that in aggregate these activities were neither especially vulnerable nor safe). During the period of social disorder, subsistence activities nearly doubled in share of GDP—an astonishing trend since, counterfactually, there would have been a gradual decline in their share.

During the post-war period, the trend was reversed, and resources shifted out of the subsistence sector into the war-vulnerable sectors. It is striking however, how slowly this reversal occurred. After the first seven post-war years, the structure of the economy still looked more like the immediate post-war structure than the pre-war structure. Having grown by 15.5 percentage points of GDP during the war, the subsistence sector shed only 3.9 percentage points in the first seven years of peace. There was then some acceleration, but even by 1995–96, subsistence was still 25 percent of GDP.

What this means is that ten years after the end of the conflict, the economy was still some way from restoring the pre-war structure. Again, this may suggest that the period 1986–92 was characterized by atypically slow reconstruction for an economy that had suffered such a long period of disturbance. This, in turn, may reflect the intermittent nature of the disturbances, 1971–86, so that the recovery resembled the slow pace associated with a shorter period of war.

The Ugandan civil war reduced the growth of the economy and changed its very structure.

The loss of growth occurred primarily through losses of private, social, and public capital. The economy lost approximately 2.2 percent of growth for 15 years and about 12 percent of GDP, which was initially market activity that shifted into subsistence. Even ten years after the end of the war, Uganda still had not fully made up these losses, although it had probably recovered about half the lost ground. This was not because Ugandan post-war policy has been particularly poor or inconsistent. On the contrary, it has been considerably better than is likely to be found in many post-war situations. Rather, it suggests that the relevant time period for post-war recovery may be around two decades.

The Bank's Recovery Lending Program

As of 1987, the Ugandan policy environment was very poor. A policy reform program was needed, but the legacy of the prolonged social disturbances constrained reforms in two ways. First, the deterioration in the human and social capital of the public sector professions implied that delivery of both reform and public services was going to be much more difficult than elsewhere, and therefore less cost-effective. Second, the retreat of the private sector into a kind of informalization and subsistence implied that the revenue base for the government would be much lower than elsewhere. Given the realistic timetable for post-war reconstruction, such constraints last for perhaps two decades.

To accelerate development within this context, Bank lending needed to focus not only directly on the objectives of policy reform and increased service delivery but also on relaxing the long-term constraints that would otherwise delay achievement of these objectives. This implied that the critical path to reform and service delivery was the enhancement of human capital and organizational efficiency in the public sector. It also implied that the critical path to fiscal sustainability was the reformalization and recommercialization of private activity through the suspension of predatory taxation. The Bank's Recovery Program lending portfolio can be evaluated on the basis of these considerations.

Three Bank Adjustment Lending Interventions

The Bank supported an abortive adjustment program in the Obote II period. Although this was the first, briefly successful, stabilization program in Africa, it fell apart in 1985 as a result of the spending pressures brought on by the civil war and the limited commitment of the political leadership. By 1986, few if any signs of this adjustment program remained.

The second episode of adjustment lending covered the period up to March 1992. Government commitment was half-hearted, but nevertheless there was significant progress in some areas from 1989 to 1990. The exchange rate was partially liberalized during this period, following a major exercise in consensus building by the government. The single most important mechanism of predatory taxation, the Coffee Marketing Board monopoly, was removed. Asian property confiscated under Amin was returned as a condition of SAL I. This restored the rule of law, gradually removed the confusion over urban property rights that would otherwise have become a binding constraint on investment, and provided a powerful signal to the international community that the government was serious in its commitment to recovery. In each of these reforms, the government chose to incur substantial short-term political costs in the hope of longer-term benefits.

The third episode, post-1992, is one of the most successful interventions of the Bank in development. The economy had grown rapidly, with private investment rising to levels at which growth is sustainable. There has very likely been a substantial reduction in poverty, as suggested by preliminary analysis of recent household survey data. However, as the 1997 CAS stressed, the benefits of this economic growth were not spread evenly across the country, with the north in particular lagging behind.

Suggested Areas for Improvement in Bank Performance

Despite this good performance, there have been several respects in which Bank involvement could have been improved. The three considered here are insufficient attention to consensus building, excessive use of conditionalities, and, most important, a seriously dysfunctional emphasis on raising taxation.

Consensus Building

Dialogue was largely confined to the Ministry of Finance and Planning. While there were advantages in this approach, as it was the most competent ministry, it meant that other ministries failed to benefit from the learning experience of working with Bank staff. Indeed, other ministries may have even felt excluded from the decision process and increased their opposition. As a result, there was an overreliance on presidential support for key reforms rather than engaging in the more difficult task of building a more broadly based constituency.

Conditionalities

Although in the post-1992 period the government was committed to the reform program, conditionality was used extensively. While this may have forced through some policy changes, it had three disadvantages. First, it tended to cast the role of the government in the eyes of the outside world as one of niggling opposition to reform. Second, it may have inclined reformers within the government to rely too much on Bank and IMF pressure rather than on their own efforts to build a wider constituency. Third, by spreading conditionality very widely it may have weakened the government's focus on the central reforms.

In private, the government itself sometimes invited conditionality as a means of winning political arguments. However, it might have been better had this process been made public and the purpose of the conditionalities changed. Instead of using conditionality to accelerate the pace of reforms, it might have been used to lock in the already completed reforms. This might have done more to improve the country's risk rating, given that the main deterrent to investment was fear of policy reversal. Businesses were probably less impressed by promises that import bans on beer would be removed within the next two years on pain of donor penalties than had the government volunteered that it would maintain low inflation and a convertible currency to avoid such penalties. There was arguably too much concentration on maximizing the pace of reform across a wide front and insufficient recognition that the core task was improving investor confidence.

Taxation

The changes that had taken place in the Ugandan economy as a result of prolonged social disorder had both reduced tax revenue and eroded the potential for taxation. The private sector had come to regard the government as predatory, and so devised means of defending itself. Capital flight, retreat into the untaxable subsistence sector, abandonment of financial records in favor of cash-based transactions, and smuggling were all well-established means of tax avoidance and evasion. Further, the tax collection system depended on civil servants who had little incentive to perform honestly, so payments by the private sector did not necessarily reflect receipts of the public sector.

The Coffee Taxation Problem

This legacy of the war was compounded by two massive problems with respect to the main tax base of the economy, both related to coffee. Coffee had been almost the only activity that government had retained a capacity to tax throughout the period of conflict. It had achieved this by imposing a government monopoly on coffee marketing. As a result, the government imposed astonishingly high true taxation (explicit export taxes, plus the implicit taxes through overvaluation and inflated marketing costs). This produced both evasion and avoidance. Smuggling averaged around 27 percent of the crop. Resources were shifted from coffee to subsistence crops and showed up in gradually declining levels of production. This buildup of avoidance implied that the high taxation strategy was unsustainable—it was snatching revenue now at the expense of revenue in the future. The Bank, the IMF, and the government recognized that tax rates on coffee would have to be reduced.

The second coffee-related problem was the 1989 crash in world coffee prices following the breakup of the International Coffee Agreement. This forced the government to remove coffee taxation. Hence, by 1990 the government had lost what had been the major revenue source of its predecessors. While the collapse of coffee taxation increased the need for other revenue, it did not make it any easier to raise.

Both the Bank and the IMF attached considerable importance to a rapid restoration of tax revenue and required that the share of revenue in GDP increase by 1 percentage point each year. This condition, and the consequent emphasis on "tax effort," reflected a view of the post-war recovery process that was insufficiently long term. It interpreted low tax revenues as being the result of lack of political will and "aid dependency" rather than constraints that were intrinsic to a post-war economy. This may have been attributable to the presence of two timetables—one for post-war recovery, and another for policy reform.

The timetable for policy reform could be accelerated somewhat by the adept use of conditionalities, so that complete reform within a decade was a feasible goal. However, the timetable for reconstruction depended not solely on the pace of government policy changes but also on the pace of private and social capital restoration. This, in turn, depended on the actions of private agents and could take two decades.

The ostensible reason for raising the share of revenue was to reduce aid dependence. The Bank, the IMF, and the government all acted on two implicit assumptions: first, that the supply of aid would be greatly reduced over a relatively short horizon, and second, that the efficient route to increasing tax revenue was a gradual, year-by-year increase in the share of revenue in GDP. Neither of these assumptions was seriously scrutinized, yet both were highly contentious.

The main future criteria for aid flows are likely to be economic need and the policy environment. Aid is increasingly directed toward low-income countries, since other countries can attract private capital flows. But, even in low-income countries, aid is ineffective in poor policy environments.

> Increased taxation became a central part of the policy reform agenda, yet its detrimental effects upon the reconstruction agenda were insufficiently appreciated. The end result was that the reform agenda was accelerated by the very same instrument that retarded the reconstruction agenda.

Since Uganda is among the poorest countries in the world, even good growth performance for two decades will leave it eligible for large aid inflows on the income criterion. It has now achieved among the best policy environments of all low-income countries. As long as there is no significant retrogression, aid flows are likely to be substantial for the foreseeable future.

Low Taxation: The Better Option for Post-Conflict Economies

Even were aid to decrease in the medium term, the fastest route to self-reliance is unlikely to involve rapid increases in the tax burden. There are two reasons why a phase of low taxation is appropriate. First, the eventual tax revenue that can be generated from the economy depends on the growth of the taxable base rather than actual tax receipts. The rate of growth of the taxable base is reduced by current taxation. Thus, there is a tradeoff between tax revenue now and tax revenue in the future.

This is particularly true in a post-war economy because an important part of rebuilding the taxable base involves the decisions of private agents to reverse their previous tax-avoiding and evading strategies. Notably, rural households must rejoin the market economy, and firms must switch from the cash and informal enforcement economy to the financial records and legal process economy. Taxation retards these conversions and so keeps the taxable base narrow. Revenue targets can then be met only by imposing highly distortionary tax rates on a narrow range of commodities.

The second reason why a period of low taxation is appropriate is that if revenues rise in anticipation of a decrease in aid instead of in response to such a decrease, the extra money raised is likely to augment government expenditures. Since public expenditure is notoriously subject to a ratchet effect, when aid is reduced the adjustment mechanism must still come from increased taxation. The effect of the strategy of raising tax revenue in anticipation of an aid reduction, then, is merely to lock the economy into a higher level of public expenditure and taxation than it would otherwise have chosen.

The effect of this tax-raising strategy was predictably that revenue indeed rose in line with conditionality, but that this was not offset by any aid reduction. On the contrary, as Ugandan policy and performance steadily improved, donor flows were naturally augmented. The corollary was that either the share of public expenditure in GDP would rise or the extra tax revenue would be saved.

The share of public expenditure of GDP was arguably at a level beyond the capacity of the government to deliver good value, as evidenced by the tracking survey of public expenditure noted above. Public services were adequate, and there was a shortage of funds. However, the real problem was weaknesses in the civil service and local government. To the extent that the government restrained public expenditure, its other options for using tax receipts were the accumulation of reserves or lending to the banking system.

> An implication of the foregoing discussion of the effects of civil war is that a post-war economy has atypically low marginal benefits of public expenditure and atypically high marginal costs of taxation.

Reserves were indeed rapidly accumulated. By 1997, the Bank of Uganda held more than four months of import coverage. Clearly, this was not a sustainable use of higher tax receipts, and the remaining alternative—of lending to the banking system—was begun. However, the Ugandan banking system in its deregulated form is a very new and small creation, and its capacity to on-lend money for investment with reasonable prospects of repayment is likely to be very limited for several more years. Hence, the emphasis on additional revenue-raising seems to have lacked a sound expenditure-focused rationale.

The Five Negative Economic Costs of High Taxation in Post-Conflict Economies

By contrast, the costs of the additional revenue have been all too evident. Five costs in particular will be examined. First, a corollary of forcing an increase in tax receipts in an economy in which there are few taxable activities or agents is that the major sources of additional revenue have come from the application of very high tax rates to a few commodities. Most of the extra revenue to date has come from the tax on petroleum. As a result, petroleum prices are now double the level of those in Kenya and Tanzania. The structural transformation from civil war in Uganda is primarily about reversing the massive retreat into the subsistence sector that occurred between 1972 and 1986, so the high fuel tax is precisely pitched to retard this restructuring. It is hard to believe that the marginal benefit of public expenditure is high enough to offset this cost.

Second, the Uganda Revenue Authority (URA) finds it difficult to collect taxes on corporate profits based on audited accounts because for many companies audits are highly unreliable. The standards of the accountancy profession deteriorated during the periods of social disorder. As a result, for many companies taxes are negotiated. Inevitably, the information URA uses includes visible signs of profitability, notably investment, so that what is ostensibly a profits tax has been, in part, a de facto investment tax.

Third, the revenue from import taxes has increased considerably because the effective rates of duty have risen as a result of devaluation. When the official rate was highly overvalued, the effective import duty was only a small fraction of the apparent rate, since duty was charged only on the underestimated value, calculated by applying the official exchange rate. While export taxes were removed as part of the liberalization program, they were replaced by import duties for revenue purposes. This has proved highly dysfunctional.

> The switch from export taxes to import taxes has defused the lobby for free trade (exporters), while enhancing the power of the lobby for protection. The chance to remove export taxes while leaving import taxes at their initial low levels was missed because of the excessive concern with raising revenue.[3]

Although import duties are shifted through general equilibrium effects to exporters, and so are equivalent to an export tax (the Lerner Equivalence Theorem), this incidence is highly nontransparent, unlike the export taxes that they replaced. Conversely, the protection afforded to particular import substitute producers is sufficiently transparent to induce strong lobbying.

Fourth, the coffee export tax, which had been removed in 1992, was reintroduced in 1994 during the coffee boom. The IMF's rationale for this action was stabilization. However, this turned out to be unnecessary, as only a small amount of revenue was raised. The incidence of the tax probably fell very heavily on private investment, since the investment rate out of the coffee windfall appears to have been more than 50 percent. The coffee tax was reduced in the 1995 budget and removed in the 1996 budget (against the IMF's advice). However, the potentially negative signal to coffee growers may have significantly reduced investment in the sector. Further, because of the considerable idle coffee capacity as a result of the rundown during the civil war, there was an unusually high supply response to the increase in the coffee price. Hence, unlike in an economy without a recent history of conflict, there was a high distortionary cost to the tax in the form of forgone exports. The IMF failed to consider these structural and behavioral aspects of the tax, focusing upon a stabilization rationale that, as it transpired, was unnecessary.

Finally, the value added tax introduced in July 1996 was set at overambitious levels of collection rather than being phased in gradually to build up compliance. The tax met massive noncompliance. There was a strike by traders, and a large majority of the 12,000 firms liable for the tax failed to register. In response to the strike, the turnover threshold was raised from Ush20m to Ush150m, but then lowered back to Ush50m because of pressure for revenue. Even at this new level, nine months after its introduction only around 30 percent of the firms still liable had registered.

In each of these five cases, the thrust toward higher revenue collection came at considerable cost. No attempt was made to compare these costs against the marginal benefits of public expenditure.

Both the Bank and the IMF were continuous sources of pressure, including explicit conditionalities, for increased revenue. One interpretation of this is that both agencies failed to take sufficiently into account the distinctive characteristics and constraints of a post-war recovery, focusing instead on the timetable that would have been more appropriate for policy reform in an economy without such an inheritance.

As a result, the timetable by which the economy will eventually raise enough revenue for self-sufficiency may have been retarded.

The Bank's Role in Rebuilding Infrastructure and Economic Sectors

Projects for 1988-89: Health, Sugar, Technical Assistance, Public Enterprises, Telecommunications, Railways, and Education

Following the ERC negotiated in 1987, the Bank launched four projects in 1988. These were for health, sugar, TA, and public enterprises and were followed in 1989 by projects for telecommunications, railways, and education.

Of these seven lending operations, the two that have probably had the most impact on the reconstruction process were TA and sugar. The two projects together cost only US$43 million but provided very high payoffs.

The TA project built a competent team of economists within the core ministries and put data collection systems in place. It gradually developed a team of technocrats with enough knowledge and understanding of short-term changes in the economy to manage policy reforms while maintaining macroeconomic stability. The sugar project was important because it enabled the rehabilitation of Uganda's foremost private business concern, the Madhvani Group. The return of Madhvani to Uganda pioneered the influx of Asian skills and capital, which are now helping to transform the economy.

Two of the projects most appropriate for Uganda's post-war transition were those that helped rebuild human capital in the civil service and restored private business confidence.

Infrastructure Projects

Two infrastructure projects for railways and telecommunications each had a component of organizational improvement, as well as the purchase of equipment. From the framework developed above, the emphasis of initial public sector projects should have been on organizational redesign and human capital enhancement. For example, the railways had a monopoly in the transportation of coffee. Not only was this directly supportive of inefficiency in the railways but it also had serious implications for the efficiency of road haulage. Once the monopoly was removed in 1993, the scale of business in road haulage increased sufficiently to induce entry to the activity, breaking a cartel that had kept costs high (Collier 1997). The public enterprises project appropriately focused on institutional reform in the public sector.

Social Projects

The two social projects, health and education, may have been premature. These are considered at greater length in the following chapter.

Public Enterprise Projects

The Public Enterprise Project (PEP) emphasized reorganization. Three years before it was completed, a second public enterprise was started that emphasized retrenchment. OED criticized these projects for having somewhat conflicting goals. By the mid-1990s, public enterprise deficits had grown to be a major claim on the budget and the government was expressing alarm. The extent to which public enterprises were radically dysfunctional as a result of the collapse of public sector standards of behavior was probably insufficiently appreciated.

Projects for 1990: Social Costs of Adjustment, Water Supply, Agricultural Adjustment, and Livestock

The Program for Alleviation of Poverty and Social Costs of Adjustments (PAPSCA) project was arguably politically necessary. The reform program was under considerable political attack from various vested interests, and the needs of "vulnerable groups," including women, needed to be accommodated. Other than this it is doubtful whether PAPSCA was a priority. At that particular stage in Uganda's development, the key poverty reduction process was the reintegration of the rural economy into the market. The delivery of public services to the poor depended on the prior reform of the delivery system.

The water project followed the pattern of the earlier projects with some element of institutional reform, but reform could have been a higher priority. The agricultural project focused on institutional reform in the coffee sector. It enabled the dismantling of the monopoly of the Coffee Marketing Board, arguably the single most important reform in the entire decade of policy change. Since control of coffee had traditionally been the most important instrument of public sector predatory action, the liberalization of marketing was a major political change.

The livestock project involved both institutional reform in the Ministry of Agriculture and an attempt to revive extension services. Livestock is an appropriate focus in a post-war recovery since it facilitates domestic asset reaccumulation. Agriculture production provided the vehicle for the many series of discrete devaluations that were effected before the floating of the shilling in 1992. Before 1992, the shilling was being devalued to provide room for an increase in the producer prices for exports, following recommendations by the Agricultural Secretariat based on its study of the impact of inflation on the production cost of main exports.

Projects for 1991: Urban Infrastructure, Power, and Enterprise Development

The urban infrastructure project was timely, because by 1991 Uganda was starting to reurbanize and this process subsequently accelerated. Reurbanization was functional, reflecting the recommercialization of the economy. By 1997, urban infrastructure had barely kept pace with increased needs.

The power project was arguably too late and insufficiently focused on institutional reform. It was also beset by severe implementation difficulties. And, by 1997, there were frequent power cuts. As a geographically landlocked country, Uganda did not have recourse to mobile power stations, and so a more cautious approach should have been taken toward power provision. Since there are large leaks from the system, there was also scope for ameliorating the supply problem with institutional reorganization.

The enterprise development loan included elements that rapidly became dated. Specifically, the provision of a foreign exchange Fund for Technology and Management Contracts became unnecessary with the liberalization of the foreign exchange market as the project started. However, its main purpose was to rehabilitate public enterprises with a view to privatization.

Project for 1992: Northern Uganda Reconstruction

Widely regarded as too little too late, the Northern Uganda Reconstruction Project (NURP) is discussed in detail in Chapter 7. While the current serious fighting in the north would have occurred regardless of development efforts, there is no doubt that the north started as the most disaffected region and has been conscious of being left further behind. Opposition candidates received a majority of votes in the north during the 1996 election. The north is now probably too dangerous for large-scale projects, whereas from 1989 until 1996 there was a window of opportunity.

> Overall, there was probably insufficient attention to capacity building and incentive design in the ministries and public enterprises that were vital for service delivery. Such efforts could have been started across the board during a window of opportunity in the late 1980s.

Bank performance was relatively poor in the social sectors, particularly in strengthening health and education institutions. Investment in the social sectors was often premature, implemented through weak ministries and with inadequate forethought as to the nature of the services the Bank was trying to support. The post-conflict period required major health sector reforms that fell short of needs. Education investment was equally disappointing, with only an estimated 37 percent of funds reaching schools. There was too much dependence on the existing bureaucracy and not enough use made of NGOs.

6

The Bank's Role in Rebuilding Human and Social Capital

In the post-1986 reconstruction era, rebuilding institutional capacity was focused on the economic rather than human development sectors. Early policies and projects were not directly targeted at vulnerable groups such as the rural poor or households headed by women. Despite a low urbanization rate of about 15 percent, Bank reach into rural areas was limited. Northern districts, like rural areas generally, were neglected. Even when NURP was designed to redress this balance, implementation was less successful than in many other rural areas.

Human Development

The two social projects in health and education may have been premature. Both were attempting to deliver services through very weak ministries, perhaps with insufficient attention to improvements in the incentives for service delivery. Given the collapse of civil service standards, the key reform in social services probably served to give the frontline service providers—schools and clinics, budgets, and their staff, incentives linked to monitorable performance measures. Without this, attempting to push money through the ministries has been demonstrably ineffective. Overall, the concern with "projectizing" social sector reconstruction has overlooked the need and opportunity to reappraise and redirect policy along lines relevant to the 1990s.

When attempted, social sector results on the ground were "modest to negligible," as revealed in the Bank-funded tracking study of 1996 (Ablo and Reinikka, forthcoming). PAPSCA was the first Bank project in Uganda to address vulnerable groups, including women, but project conception and performance were generally rated as poor.

Health

The Bank's first health project was intended to rehabilitate a select number of hospitals and health centers, promote preventive health programs, and ensure the long-term sustainability of health care delivery systems. The long period of conflict had resulted in the nearly total collapse of the health sector, and more recently human immunodeficiency virus (HIV) spread quickly, and acquired immunodeficiency syndrome (AIDS) became pandemic in the country. Despite these needs, early health spending suffered from a lack of investment in institutional capacity, and, according to one NGO, concentration on rehabilitating hospitals, which "was badly placed investment pandering to people's notion of returning the health system to its former glory." Despite continuing donor investment, independent research has exposed the continuing absence of any substantial public health service. It has largely become an "empty vessel," a vehicle for the private business activity of health workers selling services and drugs on the side.

Nevertheless, there has been some overall improvement in health status in recent years as indicated by the Demographic and Health Survey of 1995. Compared to the situation in 1991, infant mortality fell from 122 to 97 deaths per thousand live births. But this may be attributed to a combination of several factors, including improvement in economic conditions, housing, access to safe water, and sanitation services. Moreover, despite the positive trend, the health of Ugandans is still rated poor compared with other countries in East Africa. For example, in Kenya—frequently used as a comparative yardstick by Ugandan professionals—infant mortality is now estimated at 67 per thousand births.

Universal comments on the weakness of the health and education ministries reflected a lack of prior institutional support to manage ambitious programs. Some sources suggested funds were swallowed up by administrative costs and did not improve capacity to deliver services.

Education

Education assistance, which was pursued through PAPSCA, NURP, and specific education projects (Education III, IV, and V), achieved equally modest results on the ground. These projects focused on concrete goals: exercise and textbooks, building materials and construction of classrooms and staff rooms, and some training of teachers.

Incremental gains were not apparent; rather, there was more of a "stop and go" approach through the various credits. Sources confirmed that "there was not enough pre-study, often nothing on the ground to rebuild," and that a standardized approach was employed, dictating rather than reflecting community needs. Under PAPSCA, for example, government education sources criticized the selection of 4,200 classrooms in 10 poor districts for renovation as "creating local apathy and dependency." Moreover, the government and Bank focus on primary education, which drew in all the donors, "was akin to throwing a stone into the bush to see what happens."

Educational attainment remains low. Less than 50 percent of adult women are literate, and overall literacy levels are about 61 percent. The gross enrollment rate is about 68 percent (a lower rate than in 1986) and may be artificially inflated by the large numbers currently enrolled in Primary One following the introduction of universal public education (UPE). There are serious problems of wastage, with about 70 percent of children failing to complete the primary cycle. Only three-quarters of the candidates pass the primary leaving examination, and few students progress to secondary education.

There appears to have been little overall strategy guiding recovery in the education sector.

Although government spending on education has shown real increases (18 percent for the period 1992–93 to 1995–96), it is still quite modest, with primary education receiving about 1 percent of the gross national product (GNP), compared, for example, with Ghana, at 6 or 7 percent. There is a gross insufficiency in trained teachers throughout the country, a problem exacerbated by the introduction of UPE, compelling the government to recruit untrained teachers to deal with the shortage.

At schools visited during this study, the assessment team observed that the government declaration of UPE with compulsory enrollment had resulted in overcrowded classrooms. Ambitious building plans, with community involvement as a precondition, were under way, but without reliable data on potential school populations. Local sources suggested that finished schools were as much the result of local politicians needing to show product as a planned response to need. Lack of trained teachers overshadowed the effectiveness and sustainability of these initiatives. Lack of food, clean water, and latrines for children was an additional serious problem, especially where drought and food shortage had reduced families' ability to provide their own supply. Private schools, often established by NGO projects, suffered similar problems and added to the impression of a random building program.

NGOs felt strongly that more Bank resources (and any dividend from debt relief initiatives) should go into the social sectors. But an effective implementation plan would clearly be desirable before investing more resources in this direction. One solution proposed would involve more active participation of NGOs in planning and supervising implementation in the districts.

Governance, Transparency, and Civil Service Reform

Respondents generally felt that the Bank was effective in helping to rebuild key public sector institutional capacity, especially in the central economic ministries. As the expulsion of the Asians under the Amin regime had depleted commercial expertise, so years of conflict had driven educated Ugandans away, removing the base for an effective civil service. The attempted reconstruction under Obote II had failed because, said one observer, "the center wasn't strong enough." By the time of the NRA succession to power, he added, "the entire machinery of government had collapsed." With no experience in government, it was conceded the NRA was bound to make mistakes.

Two governance issues tackled under reconstruction were the restoration of the legal system and the return of property to the expelled Asian Ugandans. The Bank's attachment of conditionality to the latter objective was widely recognized as critical.

With the government described as initially confused about policy orientation, the Bank had to temper its approach. However, strong government ownership, particularly after 1992, was key to the reconstruction program, and the government was reported to have given "good access on governance issues." At the center, the Ministry of Finance and Economic Planning and the Bank of Uganda were described as the two most effective instruments of governance, largely because the Bank and IMF put a lot of money into them. By contrast, the sectoral and local government ministries did not have the same investment or capacity.

Transparency in governance, particularly in relation to the work of the Finance Ministry, was described as high. According to Transparency International, Uganda is the second most open country in Africa. But poor governance, according to a number of sources, was still widespread in the form of corrupt practices.

Civil service reform was central to restoring governance. Bank efforts to reform the civil service (through TA I, TA II, and TA III and ERC I and ERC II), supplemented by other donors (notably Britain's Overseas Development Association, or ODA), initially had a significant impact in the reduction in size of the civil service as well as pay levels. Recently these efforts appear to have lost momentum.

Decentralization, incorporating political, administrative, and financial powers, was started in 1992 and "completed" in 1996 with the creation of 35 districts. At the same time, delay in decentralization has created an absence of resources for governance measures at the local level. Districts visited by the assessment team complained of resources held or still controlled at a central level. The tracking study of social sector spending clearly records the lack of fund transfers to district health and education authorities. Where funds had been transferred, severe accountability problems have been reported.

Participation and Civil Society

Reports suggested that in the earlier years of the reconstruction program, the Bank had not worked in a very participatory manner to involve beneficiaries or various sections of civil society. Some Ugandan NGOs reported virtual ignorance of the Bank's activities, and international sources stressed the need for the Bank to conduct extensive consultation with beneficiaries in project planning.

At the time of the OED mission, the resident mission did not appear to have a proactive information strategy—utilizing local media, for example. There were many indications that the Bank was intent on stepping up participation with the preparation of the 1997 CAS. But recent attempts to involve NGOs in the preparation of a nutrition and early child development project had been a "fiasco" according to the NGOs. Their views were solicited, and then ignored by a series of expert missions from Washington.

NURP aimed to redress the imbalance in recovery assistance available to northern districts. It has been criticized for achieving few results on the ground and generally characterized as "too little, too late." Its successor will need to address the complexities of operating, at least in part, in a conflict zone, with the likelihood of parallel relief and rehabilitation activities. Demobilization in Uganda was initially delayed for the wrong reasons (microsecurity), and then begun at an inappropriate time considering macrosecurity factors. While the Bank might have counseled greater caution, the decision was political and remains with the government. Regarding process, demobilization was clearly a success. Evaluation reports of operations in Uganda reveal several lessons on operating in a post-conflict context, including the importance of establishing a dialogue, preserving flexibility, avoiding unrealistic expectations, considering structural constraints, keeping procurement and disbursement procedures consistent with the post-conflict context, and ensuring coordination consistency in the Bank's strategy.

7
Special Issues

The Bank's Role in Ongoing Conflict: Northern Uganda Reconstruction Project

The 1992–1997 NURP was a regionally targeted, multisectoral project covering ten northern projects. Still undergoing implementation at the time of the post-conflict evaluation, it was intended to redress the imbalance in recovery assistance available to the northern districts. Recognized by the government as "disadvantaged from the beginning," these districts suffered a double penalty. They were rural (areas generally neglected by early assistance) and they were associated with the losing side of the conflict.

Early Implementation Problems

Government sources were critical of the "two years lost" preparing NURP. Such projects should head off mistrust and conflict "when the clouds are forming," not during the downpour. Like PAPSCA before it, NURP was multisectoral, comprising seven different sectors. Implementation therefore required intensive management. This was an ambitious objective for the missions, possibly indicating the need for in-country management. The use of NGOs for implementation was largely restricted to the water sector.

NURP was plagued by implementation problems from the outset. When the second task manager took over, only US$4 million had been disbursed, and the management structure had to be simplified to improve results on the ground. Clearly, management by missions was more of a problem for a project dealing with some of the most remote and poorest parts of Uganda. Moreover, NURP had to deal with the shift to decentralization after its inception. Renewed violence in some areas served by NURP further complicated and impeded progress.

Project Shortcomings

Generally, criticism of NURP has related to the lack of tangible progress on the ground. Procurement procedures were universally recognized as a "nightmare" and "very frustrating." The use of international competitive bidding (ICB) seemed particularly inappropriate, considering that provisions for streamlined procedures were available had the Operational Directives (OD) for emergency lending (through OD 8.50) been used.

> Despite claims by the government that the NURP has done much to soothe hatred in areas of conflict, a sense of grievance persists. Some commentators suggested that earlier and greater input in the north by both the government and the Bank might have helped to reduce conflict, or at least to calm a disaffected population.

District authorities and sources were very critical of delays in implementation, especially at the outset. Although concern was focused on current drought conditions, people in Pallisa, for example, recognized that their vulnerability was a long-standing result of a conflict that subsequent assistance had not removed. NURP had not addressed local concerns such as feeder roads, water supplies, or cassava crops. There were also complaints about lack of information about project requirements for local inputs.

During the evaluation, a Parliamentary Committee on the north discussed NURP. Some Parliamentarians stated that it had failed in its objectives and should be replaced by a new initiative, addressing three separate regional groupings of districts in the north with distinct needs. They concluded that NURP had failed for three reasons: (a) internal corruption, made easier by a top-down approach whereby the local communities cannot participate; (b) the escalation of conflict, halting infrastructure work; and (c) the small loan scheme, which failed because many families were not suitable targets for soft loans.

Tendering methods had received widespread criticism, including press coverage of contract awards to "known incompetent firms." NGOs should have been used more, the report claimed, and WorldVision was praised for its results in building schools (although it was admitted that these had remained "skeletons.") Overall, the report concluded that the intentions of NURP were good. But it was too much of an omnibus program, with too much infighting over too little money.

Project Successes

One success recorded by the Parliamentarians was the rapid basic teacher training program, the Northern Integrated Teacher Education Program (NITEP). However, this had been too expensive to replicate on a wider scale. Highway construction between Lira and Soroti was also impressive, although less so on the main highway north to Gulu.

NGO and Donor Views

NGOs were among the most vociferous critics of NURP. "NURP was a great idea," said one established NGO, "but the implementation was shoddy . . . with corruption and slowness, it was a real tragedy in many ways." The use of NGOs in implementation was largely restricted to the water sector.

Donors gave NURP a more balanced verdict of "successes and failures." One serious shortcoming noted by a major donor was the location of NURP in the Prime Minister's Office, which had limited implementation capacity. Decisionmaking was also distorted by patronage and political concerns. Despite some good achievements, the resulting value for the money invested was inadequate. Described by one donor as a "bit of a lost soul," ownership of NURP was also questioned by a number of sources.

Coordination of activities under NURP became increasingly problematic for the Bank, especially as the growing conflict was drawing in more donors and aid agencies provided emergency relief in the region. Existing Bank staff working on NURP were concerned about donors "tripping over one another" but did not have the capacity to address this supervening demand.

Various sources discussed the possibility that through its failings, NURP may have contributed to the escalation of the conflict. "Continuing poverty drove some people into the hands of the rebels," argued one Parliamentarian, adding that "thousands of soldiers up there who [formerly] depended on the State were sent back home with no provision." The lack of provision in NURP for demobilized soldiers was strongly criticized by those closely involved in administering the process. This was a criticism leveled at the donor community as a whole, not just the Bank.

Government Views

Government sources indicated that the lessons learned from NURP included the need for fast-disbursing programs. A more detailed assessment of the conflict and its causes, with a design intended to dissuade people from fighting, was also required. Finally, the Bank needed to demonstrate greater flexibility in adjusting its targets and criteria should component objectives prove elusive.

Bank Views

Bank sources judged implementation to be generally successful. However, it was designed before decentralization—without the features of a demand-driven project or participatory operation—which proved to be a major shortcoming. Without major redesign, a subproject component to facilitate implementation was added post-decentralization. The other main problems with respect to implementation were (a) inadequate and untimely release of counterpart funds; (b) renewed conflict that affected progress in primary school rehabilitation, teacher training, and borehole drilling, particularly in Gulu and Kitgum; (c) late submission of accounts and documentation (which remains an issue in several districts), despite improvement in financial management; and (d) procurement problems.

> The successor project will have to address the twin problems of poverty and conflict. The project will also need to deal with the complexities of operating, at least partly, in a conflict zone, with the likelihood of parallel relief and rehabilitation activities.

An audit would be useful to comment on the diversity and disparity of views concerning NURP, particularly as preparation of a successor to NURP is under way.

In addition, it will have to adjust to the government response to the conflict, currently a focus of debate. Some of the government's more strident "vocabulary of war" was criticized by a more conciliatory "conflict resolution" school. If the latter approach were adopted, the project would have a very big part to play. If the former, the project would find itself in a difficult policy context, where total victory (unlikely according to informed sources) might be a precondition for full-scale implementation. Some increased use of NGOs for implementation of the project is indicated, although this may be limited by the capacity of local NGOs.

Security, Demobilization, and Reintegration

Despite continuing insecurity following the NRA victory in 1986, Bank staff thought that the government had quickly established the preconditions for reconstruction activities by promoting an attitude of reconciliation and by not using their victory for retaliation. Soldiers were well disciplined, the courts were not used to oppress opponents; instead, the government tried to draw the opposition into government. Staff reported "normal competition and jealousy, but no bitterness or cruelty.” Above all the government was able to maintain security, in contrast to previous changes of government that were marked by disorder and looting. Looking back over these past ten years, even fierce political opponents of the government were able to recognize the stability brought by a decade of NRM domination.

The Ugandan demobilization was delayed until late 1992, partly because of a continuing need for an army to deter rebels and partly because of fears that soldiers would be more of a problem once demobilized than while on the payroll. Specifically, demobilized soldiers might become disaffected and join new rebel groups or resort to crime. These potential risks of demobilization affected state, societal, and individual security.

The effect of the demobilization on state security is difficult to assess. Subsequent to the demobilization, problems of state security have considerably increased. Within Uganda there are currently two serious armed conflicts, as well as two major military conflicts in neighboring countries. The extent to which demobilized soldiers are implicated in these conflicts is unknown.

Demobilization is perhaps less likely to have reduced the army’s deterrent effect. In the year following demobilization (1993–94), the share of defense expenditures in the budget fell from 18.8 to 18.1 percent, but, it increased to 19.9 percent in 1995–96. In effect, the army became considerably more capital-intensive and consequently probably better equipped to contain guerrilla movements. In this sense, demobilization was more analogous to civil service retrenchments than to demilitarization. However, it has been suggested by those concerned with defense capabilities in northern Uganda that demobilization was inadequately synchronized with the reequiping of the army, giving rise to a time of weakened capacity to suppress rebellion.

The Bank’s Role

Clearly, the Bank is not well positioned to make the political and military calculations and judgments necessary for decisions about state security. Programs that may have an impact on state security are not among the Bank’s comparative advantages. Also, the government may have views and information that override societal security considerations.

The Bank can bring some competence to the issue of societal and individual security, since the effect of demobilization is amenable to quantification. In Uganda, soldiers to be demobilized were first included in a census that recorded their socioeconomic characteristics, and then transported back to their home districts. They were required to remain in their home districts in order to collect subsequent installments of demobilization payments. A follow-up sample survey of the demobilized found that only around 2 percent had chosen to leave the district to which they had been transported. The incidence of demobilization varied considerably among districts, so that by combining this information with time series on district-level crime, it is possible to measure the effect of demobilization on crime.

Options for Demobilized Soldiers

Much of the recruitment into the army had occurred while the NRA was itself a guerrilla movement, attracting teenagers with little or no education. The census found that the soldiers to be demobilized were largely unskilled and uneducated. This precluded options that involved transferring the demobilized into wage employment. For example, the police force required a far higher standard of education than was feasible for demobilized soldiers.

The only realistic option was to reintegrate the demobilized into the kin-group support systems and smallholder farming activities from which they had been drawn. The ability of the demobilized to reenter the rural economy thus depended upon their rights within their kin-group and whether they had access to land. This question was asked as part of the census of soldiers to be demobilized. Again, responses differed considerably among districts. A large majority, 88 percent, claimed to have access to land. The remaining 12 percent without access came disproportionately from districts with high population densities and consequent land scarcity.

Before, during, and after demobilization, the expatriate community was extremely concerned that demobilization would worsen crime. This was reinforced by instances in which demobilized soldiers were thought to have been implicated in incidents. However, an econometric analysis revealed a rather different picture (Azam and others 1994).

In the first three months following the demobilization, the process had two significant effects on crime. The demobilization of soldiers without access to land significantly increased crime. About 6 percent of demobilized soldiers without access to land committed a recorded crime within three months of demobilization (or 3 percent committed two recorded crimes). However, the demobilization of those with access to land significantly reduced crime. On average, each soldier with access to land reduced crime by just as much as each soldier without land increased it. Although this may seem unlikely, it was supported by evidence from interviews with village leaders: they judged that the presence of men with military training had discouraged crime by others. Because most soldiers had access to land, the net effect of these two opposing influences was for crime to decrease. Each of these effects held only in the first three months following the demobilization.

In the following nine months, neither the numbers of demobilized soldiers without access to land nor those with access to land had any discernible impact on district crime rates. The implication is that the demobilized, even the landless, were quickly integrated into their local communities and became indistinguishable from the rest of the population.

The Demobilization Project

These facts show that three mistakes were made with respect to the demobilization project. First, demobilization was delayed because of unnecessary fears about the difficulties of reintegrating the demobilized into their communities. Schemes for special training and attempts to establish soldiers in small-scale enterprises ran the danger of creating unrealistic expectations, while exaggerating the difficulties of reentry to agriculture. Second, the reasonably obvious problem of lack of access to land was not addressed. Either access to land should have been negotiated for those without it before demobilization or those without access could have been retained in the army. Finally, the demobilization scheme included a package of both equipment and money for the demobilized. The equipment part of the package, such as roofing sheets, arrived very late and posed a logistical problem. The choice of equipment over money, although not ideal, was dictated by the resources available, especially from the U.S. Agency for International Development (USAID), which could provide materials but not money. Project planners assumed this would be monetized.[4] The installment nature of the payments was probably a good arrangement, helping to anchor people in their districts and giving them a temporary lifeline.

The Veterans' Assistance Board (VAB) felt that the Bank and the donor community, by failing to support economic reintegration measures, had not followed through on a useful demobilization initiative. For many of the ex-soldiers in the north, this may have created an army of discontents ready to operate outside the law and even join the rebels. NURP too was criticized for having no provision for ex-combatants. It was the choice of project planners with limited resources to demobilize greater numbers rather than demobilize lesser numbers with more resources for economic integration.

This shortcoming was noted at the end of phase I of the demobilization (the first 22,000), and a provision was built into phase II. Generally, VAB was complimentary about the Bank's performance, noting that after some teething problems at the beginning, funds flowed, "things worked well with the resident mission," and the program "was privileged to have serious people."

Throughout phases I and II, the Bank's contribution was to support operating costs. For phase III, funds of US$250,000 were expected through SAC II through a technical arrangement with the Ministry of Finance. This was forthcoming, and VAB, which was accustomed to dealing directly with the Bank, did not know how to access the SAC: "Having written many times, it had given up." An evaluation of phase III is under way, and should uncover this problem.

> While the impetus for demobilization came from the Bank's desire to see defense expenditures drop, it found a positive reception with the Ugandan President, who was keen to confirm a peaceful outcome for Uganda's years of conflict and ready to reap a peace dividend. In this context, the Bank was certainly successful in mobilizing donor resources in support of the program.

Given that the army was now having to remobilize in part to deal with problems in the north, the possibility of premature demobilization was raised by many respondents. Making the Bank a scapegoat for this overlooks the readiness of the government to proceed with demobilization, a view that is easy to criticize in hindsight but probably made sense at the time. For the government, it was a difficult choice between taking risks with national security and with national finances.

Bank Evaluations and Findings

A brief summary of past self-evaluations and independent evaluations in Uganda provides a perspective on the main problems in designing, implementing, monitoring, and evaluating projects in the post-conflict phase. This summary should be compared with previous sections, which explain the special characteristics of the post-conflict context and discuss some of the main assumptions in the portfolio.

Reconstruction after a prolonged war is a formidable task. The main challenge is to change the "rational project model" that works under normal conditions. The post-conflict phase has vastly different requirements from the mainstream development universe. Thus, holding on to the conventional project wisdom and assumptions does not work.

An important issue raised by the audit of the First Reconstruction Credit was that, with the economy in ruins and the government trying to rebuild its own capacity, Uganda was clearly unlikely to make optimum use of such assistance. Under these circumstances, the criteria for evaluating project success may be rather different from those normally applied. The audit of the Second Economic Recovery Credit highlights some of the challenges posed during the evaluation process. The evaluation noted that the "assessment of ERC II's outcome is complicated by the fact that Uganda has had a number of adjustment operations that overlapped with this credit. Attribution of outcomes to one particular credit is therefore difficult."

Key Lessons

Past evaluations raise some general issues and identify key lessons, including the importance of:

- Establishing a dialogue
- Preserving flexibility
- Avoiding unrealistic expectations
- Considering structural constraints
- Keeping procurement and disbursement procedures consistent with the post-conflict context
- Ensuring consistency of coordination in the Bank's strategy.

Establishing a Dialogue

The ERC I sheds light on the importance of opening an avenue for discussion of recovery policy. Although the direct impact of the credit was limited, it provided a valuable opportunity to initiate a dialogue on a wide range of economic policies and management decisions that have been carried forward into subsequent operations, as well as ESW.

Preserving Flexibility

Past evaluations point to the need for greater built-in flexibility in project design in cases where a country's institutional environment is unsettled and where the prospects that project benefits will be sustainable are more uncertain. A flexible project design should incorporate both "blueprint" and "process" elements with more emphasis on the latter. Several components may usefully be left underdesigned at appraisal.

> Project preparation, implementation, and evaluation must take into account the unique post-conflict context.

Avoiding Unrealistic Expectations

The realization that the process of rehabilitation is complex and lengthy often comes too late in the project process. Thus, expectations are unrealistic, and good intentions lead to a clustering of too many components under one umbrella. Expectations were not realistic in either ERC I or in PAPSCA. Implementation proved difficult from the start in both cases.

Considering Structural Constraints

ERC I was not well targeted and, by focusing on the provision of foreign exchange without addressing other equally important constraints, was overoptimistic. An audit cautioned about the tradeoffs between the dual objectives of rapid disbursement and policy or institutional reforms pursued within the same operations. It also cautioned against the use of conditionality that is overly broad in scope. In ERC I, while it appears that the credit contributed to increased capacity utilization in target industries and expansion in agricultural output, production was critically constrained not only by the scarcity of foreign exchange but also by many other factors such as the shortage of local transport, services, finance, and manpower that the credit was not designed to address.

Weak targeting and broad conditionality were a reflection of inadequate attention to structural socioeconomic and political limitations in post-conflict recovery.

In PAPSCA, remote and scattered locations of activities as well as the time-consuming nature of mobilizing dispirited communities have increased the cost of implementation. In addition, because of centralized procurement, implementing agencies received construction materials in bulk, leading to logistical problems of delivery, storage, and safe-guarding that were not addressed in project design or costs.

Keeping Procurement and Disbursement Procedures Consistent with the Post-Conflict Context

In many operations (ERC I, ERC II, PAPSCA, NURP), disbursements were slower than expected because of the unforeseen political changes and also because the procurement procedures chosen for the credits were not conducive to rapid disbursement. In both PAPSCA and NURP, cumbersome procurement and disbursement procedures led to untimely delivery of goods and replenishment of funds.

The experience here points to the need for using flexible procurement arrangements in community-based projects.

Project management and disbursement were highly centralized, with implementing agencies having no independent access to funds. Construction materials were packaged into larger contracts and procured through ICB. In some cases it took 18 months after credit effectiveness for communities to receive materials.

Ensuring Consistency in Bank Programs

Project experience in the PEP and the Enterprise Development Project (EDP) underlines the need for better coordination of the Bank's CAS. PEP's emphasis on strengthening parastatals was at odds with the EDP objectives of parastatal reform and parallel adjustment programs, which aimed to impose hard budget constraints on the operations of parastatals. The approval of EDP three years before the planned closing of PEP created substantial confusion.

Supporting Priority Areas

Power is a priority area in post-conflict recovery, but power operations fell short of responding to critical needs. The Second Power Project approved in 1985 was the Bank's first operation in Uganda's energy sector in more than 20 years. It took eight years from project signing to credit closure, compared with an earlier estimate of five years. The project's design underestimated the impact of the unstable situation and the needs faced by the implementing agencies in ensuring day-to-day operation of the power system and competing with the requirements of project implementation. The Second Power Project did not achieve its objective to improve the Uganda Electricity Board's (UEB's) financial performance and operational efficiency. Although the number of staff UEB employed doubled during project implementation, staff productivity, measured as the number of connections per staff employed, remained significantly below initial targets.

OED Evaluation of Economic Recovery Credits

To What Extent Did the OED Audits of the Two Economic Recovery Credits Focus on the Important Issues?

The audit of ERC I rated it "unsatisfactory." It made three key points. The first was to stress the unusual importance of TA in the context of a "nascent" government. This emphasis was, in our view, correct. In a post-war context, with the civil service in disarray, the rebuilding of professional capabilities was the essential prelude to subsequent success.

The second point was the greater need to devise better methods of disbursing program aid than to condition it on a prior flow of import documentation. This was also an appropriate concern. The civil service was not in a position to deliver the documentation required by the donors in a sufficiently orderly fashion to ensure that program aid would be a stabilizing influence. Even when the documentation required was available, it provided only the facade of a genuine aid audit (since import documentation need not be generated by aid dollars). There were better and simpler ways of auditing the use of program aid.

The third point was the importance of a rapid increase in tax revenue to offset a decline in aid. Numerous strongly phrased remarks on "sustainability" echoed the IMF's priorities. These assessments were ill-judged in three ways. First, as predictions they were inaccurate: the net aid flow to Uganda substantially increased in subsequent years and shows no signs of diminishing. Second, they failed to appreciate the distinctive features of a post-war recovery. Rather, the audit analyzed the ERC I as if it had been a standard stabilization problem. The time period for fiscal recovery in a post-war environment should be determined by the need to restore the taxable base of the economy, and this requires a prolonged period of low taxation. The attempt to raise tax receipts rapidly actually delays the attainment of sustainability. Third, the sentiments were ill-judged precisely because they appear to be so reasonable. An audience is predisposed to accept that large aid-financed fiscal deficits must be reduced as rapidly as possible and that failure to do so reflects badly upon the recalcitrance of a government to make the requisite "tax effort." The language of "sustainability," "resource mobilization," and "effort" subtly implies the fecklessness of government. While in many situations this imagery may be appropriate, in the context of the Ugandan post-war recovery it was both erroneous and dysfunctional. Its usage, and its endorsement by the audit, reinforced a simple, potent diagnosis of the recovery problem that was the seedbed of serious errors in fiscal policy.

The audit of ERC II correctly targeted the slow pace of civil service and parastatal reform, consistent with our own prioritization of the reform of public institutions. However, its main point was again to stress the theme of fiscal sustainability. Overall, it downgraded ERC II to "marginally unsatisfactory."

> The two OED audits had in common a time period for a post-war recovery that was unreasonable, although it would have been appropriate for a stabilization and liberalization program in a peacetime economy. As a result, the audits treated the fiscal deficit as a major problem instead of as an appropriate response to post-war characteristics.

This, in turn, led both to negative evaluations for the two ERCs and to a policy inference that sounded like "motherhood and apple pie," but was inappropriate. One measure of these errors is that the Ugandan recovery is now rated as a model for the continent. This recovery, already spread over a decade and only approximately halfway back to the pre-war Ugandan economy, was financed by two credits rated "unsatisfactory" and "marginally unsatisfactory."

Close collaboration between the government and the international community, along with strong government ownership, has given Uganda's recovery the reputation of a "model reconstruction." While the Bank has demonstrated generally good performance in reforming and rebuilding the economy, several areas for improvement have been identified. Bank performance in the social sectors has been relatively poor and should be improved through the use of effective partnerships with NGOs that are better equipped to implement social programs. Regarding Bank processes and institutional arrangements, project design did not fully reflect the need in Uganda's unsettled institutional environment for a flexible, process-oriented design. A final shortcoming of Bank projects was that, where they were not sequential, many were too short to address the long recovery process.

8

Conclusions: Post-Conflict Lessons from the Uganda Experience

The Post-Conflict Context in Uganda and Implications for Bank Activities

Differing Post-Conflict Time Tables

There are at least two different timetables in post-war recovery, each well-manifested in Uganda. The first is the real-time duration of the recovery process, which typically requires at least two decades of sustained effort, with the risk of war a recurrent phenomenon. The second timetable is set by donors' considerations, which may be guided by different objectives, and manifests itself through programs that do not necessarily take into consideration the very long recovery process. Governments have to observe both these timetables, weighing the political expediencies of short-term measures to provide security and boost confidence, as well as the steps necessary for long-term recovery.

Implications for Bank Activities and Policy Reform

Prolonged social disturbances imposed potential constraints on both delivery of public services and tax revenue. Given the realistic timetable for post-war reconstruction, these constraints would be with the economy for perhaps two decades.

Lessons Learned

- The costs of failing to recognize the duration of real recovery are substantial. Recovery requires incremental planning, careful and realistic policy reforms, and consideration of post-war constraints. In project terms, "process" may need greater recognition than a "blueprint," preserving flexibility with respect to implementation and targets.
- Bank lending to accelerate development needs to focus not only directly on the objectives of policy reform and increased service delivery but also on relaxing the long-term constraints that would otherwise delay realization of these objectives. There were two main practical implications. First, the critical path to reform and service delivery was the enhancement of human capital and organizational efficiency in the public sector. Second, the critical path to fiscal sustainability was through the reformalization and recommercialization of private activity through the suspension of predatory taxation. These two considerations should guide activities and evaluation in the second decade of recovery.

The Bank's Overall Role and Comparative Advantage

Comparative Strengths and Weaknesses

The role of the Bank was key in the institutional strengthening of the Ministry of Finance, the Ministry of Planning and Economic Development, and the Central Bank. It was also pivotal in removing the monopoly of the Coffee Board, assisting in sugar rehabilitation, and rebuilding roads. However, the Bank did not always fulfill its potential comparative advantage in areas such as the power sector—a key element in recovery. Nor did it fully use its coordination role by creating an overall strategy for reconstruction or a sector-by-sector plan. The Bank lagged behind in the social sectors, particularly in the strengthening of health and education institutions, where partnerships with NGOs were not fully used.

Project Design

The more unsettled a country's institutional environment, the greater the need for a flexible, process-oriented project design. Project design did not fully reflect this need, especially in relation to the social sectors, where education and health ministries were too weak to accommodate spending and supervening events such as decentralization and renewed conflict changed priorities. Moreover, where projects were not sequential, many Bank operations were too short to address the projected length of recovery.

Staff Resources

Changes in key resident mission staff, task managers, and government staff were inevitably disruptive at times. Bank staff were not generally familiar with working in conflict countries or with the international relief and rehabilitation system. Staff resources and time were concentrated in Kampala, often with little understanding of contact with international and local NGOs.

Lessons Learned

- The Bank should focus on the areas in which it has a comparative advantage, such as defining an overall reconstruction program, defining the macroeconomic framework, and coordinating donors internationally through CG meetings, and locally through donors' meetings. In areas of comparative disadvantage, such as projects in the social sector, more use should be made of other agencies or NGOs that are better prepared to implement them. If attempted, social sector projects require much greater in-country partnership with these agencies.
- Flexibility and an accommodation of the length of the recovery period are important elements in design. Furthermore, a flexible project design demands strong project management. There are no substitutes for ownership on the borrower's side, and in-depth country knowledge and careful supervision on the Bank's side.
- Continuity and cohesiveness of the Bank's country team and the borrower's project management team enhance learning and mutual trust, increasing prospects for the project's success. Staff specialized in "war-to-peace" transition countries and familiar with the international relief and rehabilitation system and NGOs will enhance partnerships.

The Bank's Role in Aid Coordination

Coordination

The Bank has been effective in coordinating the donors, although less so with the EU and the NGO community. Differences with the NGOs are partly ideological but also result from a gap in communication and mutual understanding. Conflict in the north of the country will complicate the coordination picture, because it will draw in extra elements of international relief and rehabilitation. The Bank did not fully convert its coordination function into an overall strategic leadership role or into sectoral strategies.

Information

In the politically charged atmosphere of post-conflict societies, the need for the Bank to assert its neutrality and professionalism depends upon clear communication of its purpose. If the Bank can demonstrate an open and positive attitude toward information dissemination, it will set a powerful example for government and donors alike.

Lessons Learned

- The resident mission needs to improve coordination, particularly with the EU and NGOs. It should establish effective partnerships with NGOs that have the capacity to implement social programs. It also needs to actively promote public understanding of the Bank's role and activities.
- The Bank should be more proactive in publicizing its activities as a logical extension of its coordination role.

The Bank's Role in Stabilizing, Reforming, and Rebuilding the Economy

Recovery Program Lending and Rebuilding Private Capital

Uganda conforms to the record of long-term, post-conflict countries requiring two decades or more to reverse the depletion of financial, human, social, and public capital. In the interim, these processes impose constraints on policy reform and service delivery. The most destructive economic effect of the civil war was the flight of private capital. If reversed, it will yield a large peace dividend, but this is dependent on policy choices. The 1986–94 period experienced atypically slow growth. Only following major policy changes in 1992 did investor confidence rise and private investment recover. Although not subject to the same flight as private capital, public capital suffered depletion through destruction and a government squeeze on savings to fight the war.

Despite good performance in reforming and rebuilding the economy, Bank involvement could have been improved by giving greater attention to consensus building; reducing use of conditionalities; and, most important, rejecting a seriously dysfunctional emphasis on raising taxation.

Lessons Learned

- The Bank needs to focus on the restoration of all aspects of private capital-financial, physical, human, and social- as well as of public capital. Of the three improvements noted above, a low level of taxation over the recovery period in a post-conflict country such as Uganda is critical. Even where aid is set to decrease in the medium term, the fastest route to self-reliance is unlikely to involve rapid increases in the tax burden in the short term.
- The Bank's role in rebuilding economic and infrastructure sectors remains critical. Technical assistance in these sectors, as well as the power sector, are clear areas of comparative advantage for the Bank, where past experience should afford the resources to produce timely and critical inputs.

The Bank's Role in Rebuilding Infrastructure and Economic Sectors

Of the Bank projects launched subsequent to the ERC, the TA and sugar projects had the most impact. Together, these two projects cost only US$43 million. Yet they were precisely appropriate for a post-war transition because they rebuilt human capital in the civil service and strengthened private business confidence. The two infrastructure projects in railways and telecommunications should have had more emphasis on organizational redesign and human capital improvement. The PEP appropriately focused on institutional reform in the public sector. The agricultural project helped to facilitate crucial reforms, enabling the dismantling of the monopoly of the Coffee Marketing Board.

The urban infrastructure project was timely because by 1991 Uganda was starting to reurbanize, and this process subsequently accelerated. The power project was arguably too late and insufficiently focused on institutional reform. It also experienced severe implementation difficulties. The enterprise development loan included elements that rapidly became dated.

The Bank's Role in Rebuilding Human and Social Capital

Social Sectors

Investment in the social sectors was often premature, implemented through weak ministries, with inadequate forethought as to the nature of the services the Bank was trying to support. The post-conflict period required health sector reform that took into account the inevitable role of the private sector and user funding for public services. Education investment was equally disappointing—only an estimated 37 percent of funds reached schools. There was too much dependence on the bureaucracy behaving efficiently and honestly, and not enough use made of NGOs.

Social Capital, Corruption, Participation, and Transparency

Losses of social capital in Uganda have been as destructive as losses of other forms of capital. Standards collapsed, notably in the legal and banking professions and the civil service, and these have yet to be fully restored. The abuse of public funds for personal gain remains a problem across all sectors in Uganda. There is surprising readiness among public officials to have an open discussion of this matter and a free media that is keen to play a watchdog role.

Lessons Learned

- In planning recovery, it should be acknowledged that the public sector may perform badly or that it may not be the best choice for providing a particular service to the public. The Bank should encourage more strategic planning to determine what kind of sustainable health and education services are envisaged in the long term. The key reform in social services provision, given the collapse of standards in the civil service, is probably to give the frontline service provider- such as schools and clinics, their budgets, and their staff- incentives linked to monitorable performance measures. NGOs offer critical partnerships in achieving these objectives. There should be a greater focus on education, especially vocational training, teacher training, and training of trainers. Educational curriculums should include cross-cutting themes, emphasizing peaceful settlement of disputes and reinforcing behavior that emphasizes mutual respect and discourages random violence.
- The rebuilding of standards in the professions- for doctors, lawyers, accountants, and civil servants- is likely to be at the core of restoring social capital. Since these professions largely depend on self-regulation, one strategy is to internationalize accreditation procedures. This may be a priority for the World Bank Development Institute, which has done some innovative work on governance. The Bank could set high standards by promoting effective participation and transparency in its own activities.

The Bank's Role in Ongoing Conflict: Northern Uganda Reconstruction Project

The North and Further Conflict

Opinions on the effectiveness of NURP vary greatly, and an audit would be useful. To some extent, NURP has been the scapegoat for trouble and disaffection in the north. However, it has suffered from implementation problems that were partly of the Bank's making (largely in the design), partly the result of financial mismanagement, and partly a product of circumstance. Managing a project with such changeable circumstances "by mission" has been demanding.

Lessons Learned

- Any successor project to NURP would be usefully guided by an audit. In any event, it will have to take account of both continuing conflict and the need to engage with the broadening international relief and rehabilitation system. Coordination with donors in both planning and implementation will be critical. The project will also have to incorporate changes brought about by decentralized government. More use of NGOs, especially local organizations, should be explored.

Special Issues

Demobilization

A distinction should be drawn between the political decision to demobilize and the actual process of planning and execution. While it had good intentions, demobilization was initially delayed for the wrong reasons (societal and individual security), and then implemented at an inappropriate time considering state security factors. Because of renewed conflict in the north and border tensions, about one-third of the demobilized soldiers have been recruited again. The Bank might have counseled greater caution, but the decision was political and remained with the government. Regarding process, demobilization was clearly a success, even though the Bank failed to get donor support for more economic measures to assist the reintegration of ex-combatants.

Procurement and Disbursement

Procedures for procurement and disbursement have been major stumbling blocks in the recovery process across sectors.

Monitoring and Evaluation

Where conducted, monitoring and evaluation generally provided valuable information on program and project effectiveness. In particular, the Bank-financed tracking study on primary health and education spending confirmed widespread donor fears about the failure of social sector funding. Evaluation of innovative areas of work has been useful in the demobilization process. However, the post facto evaluation of the ERCs failed to assume the correct time period for post-conflict recovery, overstressing fiscal sustainability.

Lessons Learned

- The current need to demobilize or remobilize depends very much on the progress of conflict in the north. State security rather than societal and individual security will likely be the basis for such a decision. In this context, the Bank does not have a comparative advantage. Evaluation of phase III of the past demobilization should produce key lessons for any future operations. The Bank's involvement in future demobilization programs depends upon a critical assessment of its priorities, its in-country role, and the ability of other partners in the international system to provide support.
- Emergency procedures should be invoked where appropriate, but even these, as they stand, may not meet urgent reconstruction needs for vulnerable groups, for example. There is a need for major changes in procurement and disbursement procedures and for intense training of both Bank and government staff in post-conflict areas.
- Systems for monitoring and evaluation should be established, particularly to track investments and to follow up on developments in the areas where the Bank has limited experience. OED evaluations in post-conflict countries need to accommodate the special characteristics of recovery.

Annex
List of Persons Interviewed

Government of Uganda

Central Bank
Charles Kikonyogo, Governor
Louis Austin Kasekende, Director, Research and Policy

Ministry of Education
Patrick Makumbi, Director, Project Implementation Unit
Noreda Kiremire, Deputy Director, Project Implementation Unit

Ministry of Finance
E. Tumusiime-Mutebile, Permanent Secretary/Treasurer

Parliament
The Honorable Norbert Mao

Prime Minister's Office
Peter Uchanda, Permanent Secretary

Veteran's Assistance Board
Maj. Gen. (Rt.) Emilio Mondo, Executive Secretary
Capt. Francis Apiko (Rt.), Program Manager

NGOs and Other Organizations

British High Commission (ODA)
Petra Byrde, First Secretary (Aid)

CARE
Nick Ritchie, Country Director

DANIDA
Daniel S. Iga, Program Officer

European Union (EU)
John Croswaithe, Counselor (Economics)
Marja Laine

NURP
Ernest Oloya, Coordinator
Margaret Ajju

Oxfam
Antony Burdon, Country Representative

Save the Children Fund (U.K.)
Richard Mawer, Field Director

SNV (Holland)
Evelyn Nyakoojo, Program Officer

Ugandan Red Cross
Peter Oryema, Secretary-General

UNDP
Eugene Owusu, Resident Economist
Lawrence Nkooto Bategeka, National Program Officer

UNICEF
Kathleen Cravero, Representative
Keith Wright, Chief, CCA Program

USAID
Patrick Fine

World Bank
Marc Baird
John Clark
Nat Colletta
Sabine Cornelius
Randolph Harris
Yitzhak Kamhi
Petter Langseth
Peter Miovic
Ritva Reinikka
John Riverson
Iraj Talai
Gaiv Tata

WorldVision
Moses Dombo, Policy Advocacy
Edward Mubirau, Program Officer

Field Visit: Luwero
Chairman, District Council
District Inspector of Education
District Planning Officer

Field Visit: Pallisa
Chairman of the Council
Masaba Justine, RCV's Office
G. Kayongo, Chief Administrator
Omaido Enoch, DTLO
Mr. Shaine, Chairman, Education Committee

Endnotes

1. Collier (1996) analyzes the growth effects of civil war using the Penn World Tables data set.

2. Collier, Hoeffler, and Pattillo (1997) analyze capital flight from Africa during the period 1970–90 and compare it with data on domestically owned, private fixed capital stock in Africa (estimated by totalling investment and allowing for depreciation).

3. Collier (1997) elaborates on this argument.

4. After the phase II evaluation, this element was monetized and transferred as part of the overall cash safety net.

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