



UGANDA

Policy, Participation, People

Jayati Datta-Mitra



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FOREWORD

This Country Assistance Evaluation (CAE) on Uganda departs from the customary sector approach and assesses the International Development Association's (IDA) assistance thematically. Accompanying the CAE is a report on the findings of a participatory evaluation, which solicited stakeholder perceptions of Bank assistance. Participant focus groups were organized according to government, civil society, nongovernmental organization (NGO), private sector, and donor affiliations. Though stakeholders were not statistically representative of their groups, the significant consistency of views was noteworthy.

When the government of President Museveni assumed power in 1986, it took over a shattered post-war economy, but the reforms it launched led to remarkable recovery. IDA's successive adjustment operations and technical assistance credits, aimed initially at economic recovery, rehabilitation, and stabilization, were relevant and their overall outcome was highly satisfactory. As the country stabilized, IDA turned to institutional development and private sector development (PSD). From 1995, it focused particularly on poverty reduction and social progress. To promote these ends, IDA relied appropriately on growth and reallocations of public expenditures to the social sectors. Although economic disparities between urban and rural areas, geographic regions, and cash and food crop farmers have deepened, rapid growth and IDA-

PRÓLOGO

La presente estrategia de asistencia a Uganda es singular, pues en ella la ayuda de la AIF no se evalúa por sectores, como es habitual, sino por temas. Junto con la estrategia de asistencia se presenta un informe sobre las conclusiones de una evaluación participativa, en la cual se pidió a los interesados que vertieran sus impresiones sobre la asistencia del Banco. Los grupos de participantes se organizaron según su pertenencia al gobierno, la sociedad civil, las organizaciones no gubernamentales, el sector privado y los donantes. Si bien los participantes no representaban estadísticamente a sus grupos, la coincidencia de opiniones resultó notable.

Cuando asumió el poder en 1986, el gobierno del Presidente Museveni se encontró con una economía destruida por la guerra, pero inició reformas que dieron origen a una fuerte recuperación. La AIF impulsó sucesivas operaciones de ajuste y otorgó créditos de asistencia técnica dirigidos, en un principio, a la recuperación, la rehabilitación y la estabilización, los cuales fueron pertinentes y resultaron, en general, sumamente satisfactorios. Una vez estabilizado el país, la AIF se volcó al desarrollo institucional y al crecimiento del sector privado. A partir de 1995, se concentró, en particular, en la reducción de la pobreza y el progreso social. Para promover estos objetivos, la AIF recurrió, acertadamente, al aumento y la redistribución del gasto público en los sectores sociales. Si bien se han profundizado las disparidades económicas entre las zonas urbanas y rurales, las distintas regiones geográficas, y los pro-

PREFACE

À la différence du modèle sectoriel traditionnel, l'Évaluation de l'Assistance à l'Ouganda a adopté une approche thématique. Un rapport sur les conclusions d'une évaluation participative, basée sur les perceptions des intéressés, figure en annexe. Des groupes de discussion ont été organisés en fonction de l'origine des participants: gouvernement, société civile, organisations non gouvernementales (ONG), secteur privé et bailleurs de fonds. Les participants ne constituaient pas un échantillon statistiquement représentatif de leurs groupes, mais il est important de noter la cohérence des vues exprimées.

Quand le gouvernement du Président Museveni a pris le pouvoir en 1986, l'économie ougandaise était ébranlée par les séquelles de la guerre; mais les réformes entreprises ont permis un redressement remarquable de la situation économique. Les premiers prêts d'ajustement et crédits d'assistance technique de l'IDA, qui avaient pour but la relance, la réhabilitation et la stabilisation de l'économie, étaient des opérations pertinentes qui, dans l'ensemble, ont donné des résultats très satisfaisants. Avec la stabilisation de la situation, l'IDA a réorienté ses efforts vers le développement institutionnel et la promotion du secteur privé. Depuis 1995, les principaux objectifs sont surtout la réduction de la pauvreté et le progrès social. C'est sur la croissance et la restructuration des dépenses publiques en faveur des secteurs sociaux que l'IDA comptait – à juste titre – pour atteindre ses objectifs. En dépit d'une aggravation des disparités entre les

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supported coffee and cotton marketing reforms helped reduce absolute poverty significantly. While health indicators remain poor and gender disparities are still stark, social indicators have improved somewhat. IDA's program slowed during FY95–96; switching to sector strategies proved difficult, following through on its ESW findings took time, and the Africa Region's reorganization took a toll. However, the program has now regained momentum.

IDA's institutional development (ID) program has spanned budget reform, capacity building, civil service reform (CSR), decentralization, and governance. The relevance and outcome of IDA's support have been highly satisfactory for budget reform but only partially so for capacity building and CSR. Inadequate pay reform and problems of sequencing, coordinating, and harmonizing diverse reforms and underlying strategies have yielded mixed outcomes. IDA initially confined its support of decentralization and governance to capacity building. Only in FY99 did IDA thoroughly study corruption in Uganda, and only in FY00 was it ready to fund a local government development program to test alternative mechanisms for delivering services and devolving the development budget.

IDA's program for improving the policy environment for PSD has been highly relevant, as has its support for privatizing public enterprises and reforming the financial sector. However, outcomes have been only partially satisfactory because of either political interference or lack of enforcement. IDA's efforts to improve infrastructure serv-

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ductores de cultivos comerciales y los de cultivos alimentarios, el crecimiento veloz y las reformas de la comercialización del café y el algodón respaldadas por la AIF contribuyeron a reducir considerablemente la pobreza absoluta. Aunque los indicadores sanitarios siguen siendo flojos y la discriminación de la mujer todavía es muy marcada, los indicadores sociales presentan algunas mejoras. El programa de la AIF perdió impulso en los ejercicios de 1995 y 1996; la reorientación hacia las estrategias sectoriales resultó difícil, el seguimiento de las conclusiones de los estudios económicos y sectoriales llevó tiempo y la reorganización de la región de África cobró su precio. Sin embargo, el programa ya ha recuperado vigor.

El programa de desarrollo institucional de la AIF ha abarcado la reforma presupuestaria, el fortalecimiento de la capacidad, la reforma de la administración pública, la descentralización y la gestión del gobierno. La pertinencia y los resultados del respaldo de la AIF han sido altamente satisfactorios para la reforma presupuestaria; aunque no lo han sido tanto para el fortalecimiento de la capacidad y la reforma de la administración pública. Debido a la inadecuada reforma salarial y a los problemas para ordenar, coordinar y armonizar diversas reformas y estrategias básicas, los resultados han sido dispares. Inicialmente, la AIF limitó al fomento de la capacidad el apoyo que prestaba para la descentralización y la gestión pública. Sólo en el ejercicio de 1999 la AIF realizó un estudio exhaustivo de la corrupción en Uganda, y sólo en el ejercicio de 2000 estuvo preparada para financiar un programa de desarrollo del gobierno local con el propósito de ensayar otros mecanismos de prestación de servicios y transfe-

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zones urbaines et rurales, entre les différentes régions et entre les paysans cultivant des vivriers et les producteurs de cultures de rente, une croissance rapide et la réforme – appuyée par l'IDA – de la commercialisation du café et du coton ont contribué à une réduction sensible de la pauvreté absolue. Certes, les indicateurs de santé restent mauvais et les inégalités entre les sexes sont encore très fortes, mais on constate une relative amélioration des indicateurs sociaux. L'exécution du programme de l'IDA s'est ralentie au cours des exercices 1995 et 1996; en effet, la mise en œuvre des stratégies sectorielles a été difficile, le suivi des conclusions des travaux économiques et sectoriels était lent; en outre, les opérations de la Banque ont été affectées par la réorganisation de l'institution. Mais aujourd'hui une nouvelle impulsion a été donnée à l'exécution du programme.

Les interventions de l'IDA en matière de développement institutionnel concernaient à la fois la réforme budgétaire, le développement des capacités, la réforme de la fonction publique, la décentralisation et la gouvernance. Les interventions de l'IDA en faveur de la réforme budgétaire étaient pertinentes et ont donné des résultats très satisfaisants; ce sont seulement des succès partiels qui ont été obtenus dans le développement des capacités et la réforme de la fonction publique. Une restructuration inadéquate des salaires et des problèmes d'enchaînement, de coordination et d'harmonisation des différentes réformes – et des stratégies sur lesquelles les réformes étaient basées – ont affecté l'efficacité des programmes. Les interventions de l'IDA en faveur de la décentralisation et de la gouvernance étaient initialement limitées à des initiatives de développe-

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ices for the private sector have been inadequate; here again, slow borrower commitment to sector reforms has been partly to blame.

In deploying Bank products and services, IDA has excelled at economic and sector work (ESW) and policy dialogue; its strategy, although not always sharply defined, has evolved over time. It has fostered participatory processes, has had signal success in mobilizing resources and debt relief, and has broadened involvement in aid coordination. OED's assessment of IDA's project portfolio indicates that about 63 percent of lending had satisfactory outcomes. About a quarter of IDA's projects and lending had substantial ID impact, and 62 percent of IDA projects and 63 percent of lending had satisfactory outcomes. Thus OED's ratings for outcomes and ID for the Ugandan portfolio were about as good as or better than the average ratings for Africa, but poorer than those for the Bank and IDA. Outcome ratings for education, finance, public sector management, telecommunications, transport, and urban development have been better than average for both IDA and the Africa Region. In sum, the overall outcomes of IDA's program have been satisfactory, and IDA's contribution to ID has been modest. However, given the many risks that cloud the future, particularly corruption, disturbances in the North, and Uganda's military entanglements with its neighbors, the sustainability of past rates of growth and poverty reduction is uncertain.

Given the breadth and complexity of IDA's current reform agenda, IDA should build on the Compre-

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rencia del presupuesto para desarrollo.

El programa de la AIF destinado a mejorar el marco normativo para el desarrollo del sector privado ha sido sumamente pertinente, al igual que el apoyo para la privatización

de las empresas públicas y la reforma del sector financiero. No obstante, los resultados han sido sólo parcialmente satisfactorios debido a la injerencia política, o bien al incumplimiento de las medidas correspondientes. Los esfuerzos de la AIF por mejorar los servicios de infraestructura para el sector privado han sido insuficientes; también en este caso, parte de la responsabilidad cabe al prestatario, por su escaso compromiso con las reformas del sector.

En cuanto a los productos y servicios del Banco, la AIF ha sobrepasado en los estudios económicos y sectoriales y el diálogo sobre políticas; su estrategia, si bien no siempre bien definida, ha ido evolucionando con el tiempo. La AIF ha fomentado procesos participatorios, ha logrado movilizar recursos y contribuir al alivio de la deuda, y ha ampliado la intervención de los interesados en la coordinación de la ayuda. La evaluación de la cartera de proyectos de la AIF llevada a cabo por el DEO indica que alrededor del 63% del financiamiento produjo resultados satisfactorios. Aproximadamente un cuarto de los proyectos y del financiamiento de la AIF tuvo importantes efectos en el desarrollo institucional, y el 62% de los proyectos y el 63% del financiamiento de la AIF arrojaron resultados satisfactorios. En consecuencia, la calificación otorgada por el DEO a la cartera de Uganda en relación con los resultados y la incidencia en el desarrollo institucional fue igual o mejor que el promedio de las calificaciones asignadas a África, pero

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ment des capacités. C'est seulement au cours de l'exercice 1999 que l'IDA a procédé à une étude approfondie des problèmes de corruption et c'est seulement au cours de l'exercice 2000 que l'institution était en mesure de financer un programme de développement des collectivités locales visant à tester des mécanismes alternatifs de fourniture des services et de décentralisation du budget de développement.

Les réformes de politiques pour la création d'un environnement favorable au développement du secteur privé étaient tout à fait pertinentes, comme d'ailleurs l'aide à la privatisation des entreprises publiques et à la restructuration du secteur financier. Mais elles n'ont que partiellement réussi soit à cause d'ingérences politiques soit du fait du manque de vigueur des mesures d'application. Les efforts de l'IDA pour une amélioration des infrastructures au service du secteur privé n'étaient pas satisfaisants; là aussi, les difficultés rencontrées s'expliquent en partie par la lenteur de l'engagement de l'emprunteur en faveur des réformes sectorielles.

En ce qui concerne l'emploi des produits et services dont elle dispose, l'IDA a très bien utilisé ses analyses économiques et sectorielles et son dialogue de politiques; sa stratégie manquait parfois de clarté, mais a évolué en fonction des circonstances. L'IDA a favorisé l'emploi de processus participatifs, a obtenu des résultats remarquables en ce qui concerne la mobilisation des ressources et l'allègement de la dette et a élargi le champ de la coordination de l'aide. L'évaluation par l'OED du portefeuille de projets montre qu'environ 63 pour cent des prêts ont donné des résultats satisfaisants. Environ un quart des projets et des prêts de l'IDA ont eu un impact substantiel sur le plan du développement

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hensive Development Framework (CDF) and be more selective. To sustain poverty reduction, IDA should articulate more comprehensive strategies for rural development, gender, and regional equity. It should also take a stronger stance on governance, coordinate across its major ID reforms, push ahead with infrastructure development, and promote monitoring and evaluation for a culture of transparency, accountability, and results.

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inferior a la del Banco y la AIF. La calificación de los resultados correspondientes a educación, finanzas, gestión del sector público, telecomunicaciones, transporte y desarrollo urbano ha sido mejor que el promedio de la AIF y la región de África.

En resumidas cuentas, los resultados generales del programa de la AIF han sido satisfactorios, y su contribución al desarrollo institucional, moderada. Sin embargo, en vista de los numerosos peligros que se ciernen sobre el país, particularmente la corrupción, los disturbios en el norte y los enredos militares de Uganda con sus vecinos, no hay certeza de que se mantengan las tasas de crecimiento y reducción de la pobreza registradas en el pasado.

En vista de la vastedad y complejidad de su actual programa de reformas, la AIF debería basarse en el marco integral de desarrollo y ser más selectiva. Para poder seguir reduciendo la pobreza, la AIF tendría que diseñar estrategias más amplias relativas al desarrollo rural, las cuestiones de género y la igualdad entre las regiones. También debería adoptar una postura más firme frente a la gestión del gobierno, coordinar las principales reformas orientadas al desarrollo institucional, insistir en el desarrollo de infraestructura y promover el seguimiento y la evaluación, a fin de establecer una cultura de transparencia, responsabilidad y resultados.



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institutionnel; 62 pour cent des projets et 63 pour cent du montant des prêts ont donné des résultats satisfaisants. Les notes données par l'OECD au portefeuille de l'Ouganda en ce qui concerne les résultats obtenus et le développement institutionnel sont donc égales ou supérieures à la moyenne africaine, mais inférieures à la moyenne de l'ensemble des opérations de la Banque et de l'IDA. Les notes de résultats dans le secteur de l'éducation, le secteur financier, la gestion du secteur public, les télécommunications, les transports et le développement urbain sont supérieures à la moyenne de l'IDA et de la région Afrique. Bref, dans l'ensemble, les résultats obtenus sont satisfaisants, mais la contribution de l'IDA au développement institutionnel est modeste. Compte tenu des risques qui menacent l'avenir, notamment la corruption, les troubles dans le Nord et l'engagement militaire de l'Ouganda dans des pays voisins, il n'est pas certain que le pays pourra prolonger dans le temps les succès du passé sur le plan de la croissance économique et de la réduction de la pauvreté.

Considérant l'étendue et la complexité des réformes entreprises, il est souhaitable que l'IDA utilise le Cadre de Développement Intégré et fasse preuve de plus de sélectivité. Pour faciliter la réduction de la pauvreté, l'IDA doit formuler des stratégies plus complètes dans les domaines du développement rural, de l'égalité des sexes et de l'équilibre entre les régions. Elle doit également renforcer ses positions sur la gouvernance, mieux coordonner ses principales réformes en matière de développement institutionnel, accélérer le développement des infrastructures et promouvoir des systèmes de suivi et d'évaluation pour la création d'une culture de transparence, de responsabilité et de résultats.

EXECUTIVE SUMMARY

Uganda is among the top economic performers in Africa. The International Development Association (IDA), the largest lender to Uganda, has been a catalyst for other donors and has made a significant contribution to the country's development outcomes. Sixty-two percent of IDA projects and sixty-three percent of lending has had satisfactory outcomes, and approximately one-quarter of the portfolio has had substantial institutional development (ID) impact. Ugandan portfolio ratings were about as good as or better than the average ratings for Africa, but were poorer than for the Bank and IDA overall. Major challenges for the future are to reduce poverty disparities, promote rural development and service delivery, improve governance, and accelerate the development of infrastructure.

Background

When Uganda emerged from civil war in 1986, the economy faced overwhelming challenges, including a badly damaged productive base, dysfunctional infrastructure, rampant inflation, huge external deficits, and minuscule reserves. Controls stifled private enterprise, the Asian entrepreneurial community had fled, and agriculture had retreated into subsistence.

IDA Steps In

When the government of President Yoweri Museveni assumed power and launched the Economic Recovery Program, IDA, along with the

RÉSUMEN

Uganda es uno de los países africanos de mejor desempeño. La Asociación Internacional de Fomento (AIF), el mayor prestamista de Uganda, ha actuado como agente catalizador de otros donantes y ha efectuado un aporte considerable a las actividades de desarrollo del país. El 62% de los proyectos y el 63% del financiamiento de la AIF han arrojado resultados satisfactorios, y casi un cuarto de la cartera ha repercutido favorablemente en el desarrollo institucional. La calificación de la cartera ugandesa fue igual o mejor que el promedio de las calificaciones asignadas a África, pero inferior a la del Banco y la AIF en su conjunto. En el futuro, las tareas más difíciles serán reducir las desigualdades provocadas por la pobreza, promover el desarrollo rural y la prestación de servicios en el sector, mejorar la gestión de gobierno y acelerar el desarrollo de infraestructura.

Antecedentes

En 1986, terminada la guerra civil, la economía de Uganda enfrentaba problemas abrumadores, entre ellos, una base productiva gravemente dañada, una infraestructura disfuncional, una inflación galopante, un enorme déficit externo y unas reservas exiguas. Los controles sofocaban la empresa privada, la comunidad empresarial asiática había dejado el país y la agricultura había pasado a ser sólo de subsistencia.

Intervención de la AIF

Cuando el gobierno del Presidente Yoweri Museveni asumió el poder e

RÉSUMÉ ANALYTIQUE

La performance de l'Ouganda est l'une des meilleures de l'Afrique. L'Association Internationale pour le Développement (IDA), le plus grand prêteur de l'Ouganda, a joué un rôle de catalyseur dans la mobilisation des autres bailleurs de fonds et a apporté une contribution significative au développement du pays. Soixante deux pour cent des projets de l'IDA et soixante trois pour cent du montant de ses prêts ont donné des résultats satisfaisants. Un quart environ du portefeuille a eu des effets substantiels en matière de développement institutionnel. Les notes données aux projets de l'Ouganda sont égales ou supérieures à la moyenne des pays africains, mais inférieures à celle de l'ensemble des prêts de la Banque et de l'IDA. Les grands défis de l'avenir sont de réduire la pauvreté et les inégalités, de promouvoir le développement rural, de renforcer l'exécution des services, d'améliorer la gouvernance et d'accélérer le développement des infrastructures.

Le Contexte

Vers la fin de la guerre civile, en 1986, la situation économique de l'Ouganda était extrêmement difficile; la guerre avait gravement endommagé le système productif et les infrastructures, l'inflation était très forte, les déficits extérieurs étaient considérables et les réserves minuscules. Les contrôles paralysaient l'initiative privée, la communauté asiatique s'était enfuie et l'activité agricole était limitée aux cultures vivrières.

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International Monetary Fund (IMF), stepped in with policy advice and financial assistance. IDA has been the largest lender to Uganda and has made a significant contribution to the Ugandan economy. While IDA's first task was to help restore stability and rehabilitate the economy, it soon broadened its objectives to include growth and structural adjustment. Once inflation was curbed, IDA set its sights on the twin goals of growth and poverty reduction, predicated on rapid private sector development and efficient public sector institutions and civil service capacity. IDA's program slowed in FY95–96, as it switched from macroeconomic to sector strategies, but the program has now regained momentum.

IDA has deployed all the Bank's products and processes. It has excelled at economic and sector work and dialogue, and its strategy, although somewhat diffuse, has responded to Uganda's needs. It has led the way in participatory process, succeeded in mobilizing resources and debt relief, and broadened stakeholder involvement in aid coordination. IDA's lending performance has been modestly satisfactory (62 percent of projects had satisfactory outcomes and 24 percent had substantial institutional development impact). OED's assessments confirm that ratings for IDA's project outcomes and ID are about as good as or better than the average ratings for Africa, but were poorer than for the Bank and IDA overall.

Uganda has come a long way since 1986. Despite daunting disadvantages—low per capita income, a landlocked location, and high population density—Ugandan growth

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inició el programa de recuperación económica, la AIF intervino, junto con el FMI, para prestar asesoramiento sobre políticas y asistencia financiera. La AIF ha sido el principal prestamista de Uganda y ha efectuado una importante contribución a la economía ugandesa. Si bien su primera tarea consistió en ayudar a recuperar la estabilidad y rehabilitar la economía, la AIF pronto amplió sus objetivos, que abarcaron también el crecimiento y el ajuste estructural. Una vez dominada la inflación, la AIF se concentró en los objetivos paralelos del crecimiento y la reducción de la pobreza, basados en el rápido desarrollo del sector privado, unas instituciones públicas eficientes y una satisfactoria capacidad de la administración pública. El programa de la AIF se desaceleró en los ejercicios de 1995 y 1996, al pasar de las estrategias macroeconómicas a las sectoriales, pero ahora ha recobrado impulso.

La AIF ha aplicado todos los productos y procedimientos del Banco. Se ha destacado en los estudios económicos y sectoriales y en el diálogo, y su estrategia, si bien algo difusa, ha respondido a las necesidades de Uganda. La AIF ha fomentado procesos participativos, ha logrado movilizar recursos y contribuir al alivio de la deuda, y ha ampliado la intervención de los interesados en la coordinación de la ayuda. El comportamiento crediticio de la AIF ha sido moderadamente satisfactorio (el 62% de los proyectos arrojó resultados satisfactorios y el 24% tuvo importantes efectos en el desarrollo institucional). Las evaluaciones del DEO confirman que las calificaciones correspondientes a los resulta-

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Les Interventions de l'IDA

Quand le Président Yoweri Museveni a pris le pouvoir et a lancé le Programme de Redressement Économique, l'IDA, en même temps que le FMI, est intervenu sous la forme de conseils de poli-

tique et d'aide financière. L'IDA est devenu le principal prêteur de l'Ouganda et a contribué de façon significative à son développement économique. La première tâche était de favoriser la stabilisation et la réhabilitation de l'économie, mais l'IDA a rapidement élargi les objectifs de son action à la reprise de la croissance et à l'ajustement structurel. Quand l'inflation a été maîtrisée, la croissance et la réduction de la pauvreté sont devenus les deux principaux buts de l'IDA; l'expansion rapide du secteur privé, l'efficacité des institutions publiques et le développement des capacités de la fonction publique étaient les conditions de la réussite de cette politique. Le ralentissement du programme de l'IDA a commencé pendant les exercices 1995–96, quand les objectifs sectoriels ont remplacé les objectifs macroéconomiques; mais aujourd'hui une impulsion nouvelle a été redonnée à l'exécution du programme.

L'IDA a utilisé tous les produits et tous les processus dont dispose la Banque. Ses analyses économiques et sectorielles et son dialogue de politiques sont excellents; ses stratégies sont un peu vagues mais évoluent en fonction des besoins de l'Ouganda. L'IDA a encouragé l'emploi de processus participatifs, a réussi dans ses efforts de mobilisation de ressources et d'allègement de la dette et a élargi les bases de la coordination de l'aide. La performance

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has averaged 6.3 percent over the past 12 years, inflation has been curbed since 1994, and per capita growth has averaged 3.3 percent annually. Uganda has consistently been among the top economic performers in

Africa. It has also substantially reduced poverty, and its poverty eradication, universal primary education, and Poverty Reduction Strategy Paper (PRSP) programs serve as best practice for other IDA countries. It has also made substantial strides in reforming the civil service, budget reform, building capacity, and involving civil society in debating policy and monitoring service delivery.

Challenges Remain

While these gains are substantial, several problems persist. Poverty disparities have widened and rural development has yet to be tackled. Governance remains weak. Ugandans are still not getting value for their money in public services; capacity building outside the core government is lagging; and the jury is still out on decentralization. The private sector has yet to evolve into a modern, dynamic engine of growth. Moreover, the country's stability is at risk because of the government's inability to come to terms with insurgents in the north and its involvement in the affairs of neighbors.

Conclusions

Notwithstanding these remaining challenges, IDA's role in promoting Uganda's considerable progress since the civil war has been significant. IDA's macroeconomic reform program has been highly relevant and efficacious. Although poverty disparities and gaps in IDA's rural

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dos de los proyectos de la AIF y su incidencia en el desarrollo institucional fueron aproximadamente iguales o mejores que el promedio de las calificaciones asignadas a África, pero inferiores a la del Banco y la AIF en su conjunto.

Uganda ha avanzado mucho desde 1986. A pesar de sus tremendas desventajas—bajo ingreso per cápita, su condición de país sin litoral y una elevada densidad demográfica—el crecimiento medio de Uganda en los últimos 12 años fue del orden del 6,3%, la inflación está dominada desde 1994 y el crecimiento per cápita es, como promedio, del 3,3 anual. Uganda, uno de los países africanos de mejor desempeño, ha reducido considerablemente la pobreza. Asimismo, sus programas de erradicación de la pobreza y educación primaria universal, y su documento de estrategia de lucha contra la pobreza se recomiendan a otros países de la AIF. También ha realizado progresos notables en el fortalecimiento de la capacidad de la administración pública, la reforma presupuestaria, el desarrollo de la capacidad y la participación de la sociedad civil en un debate sobre las políticas y en la vigilancia de la prestación de servicios.

Problemas pendientes

Si bien estos avances son notables, aún persisten varios problemas. Las diferencias entre ricos y pobres se han ahondado, y el desarrollo rural todavía es una tarea pendiente; la gestión del gobierno sigue siendo deficiente; los servicios públicos dejan mucho que desear en relación con lo que los ugandeses pagan por ellos; con excepción del gobierno central, el desarrollo de la ca-

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des prêts de l'IDA peut être considérée comme relativement satisfaisante (62 pour cent des projets ont donné des résultats satisfaisants et 24 pour cent ont eu une influence notable sur le développement des institutions).

Les évaluations de l'OED confirment que les notes données aux projets de l'IDA sur le plan des résultats obtenus et du développement institutionnel sont égales ou supérieures à la moyenne de l'Afrique, mais inférieures à celle de l'ensemble des projets de la Banque et de l'IDA.

Des progrès considérables ont été réalisés depuis 1986. Malgré de formidables handicaps – la faiblesse du revenu par tête, l'enclavement du pays et la forte densité de la population – le taux de croissance économique de l'Ouganda a atteint une moyenne de 6,3 pour cent au cours des douze dernières années, l'inflation a été maîtrisée depuis 1994 et le revenu par tête a cru en moyenne de 3,3 pour cent par an. La performance du pays a toujours été l'une des meilleures de l'Afrique. La pauvreté a diminué de façon significative; les programmes ougandais de lutte contre la pauvreté et de scolarisation primaire universelle et les Documents de Stratégie de Réduction de la Pauvreté font partie des meilleures pratiques présentées comme modèles aux autres pays IDA. Le pays a fait des progrès dans la réforme de la fonction publique, la réforme du budget, le développement des capacités et l'engagement de la société civile dans les débats de politiques et le suivi de l'exécution des services.

Les Défis de l'Avenir

Bien que les progrès réalisés soient substantiels, de nombreux pro-

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poverty agenda persist, IDA has helped reduce poverty substantially. IDA's institutional development program has been ambitious, but while its support for budget reform has been highly satisfactory, it has met with only partial success in capacity building and civil service reform, and its efforts dealing with corruption and decentralized service delivery have just begun. In private sector development, outcomes have also been only partially satisfactory—IDA's policy advice has been highly relevant, but its efforts to improve infrastructure have been inadequate, and political interference and lack of enforcement have slowed privatization and financial sector development.

On balance, the outcomes of IDA's program in Uganda have been satisfactory, and its contribution to ID has been modest. But the risks of corruption and military disturbance cloud the future, and the sustainability of past rates of growth and poverty reduction is uncertain.

Stakeholder Voices

The second part of this report captures stakeholder perceptions of the Bank's assistance strategy as articulated in focus groups organized by OED. Stakeholders were drawn from government, civil society, non-governmental organizations, the private sector, and the donor community. Although participants were not statistically representative of their groups, the consistency of views was significant.

Civil society participants lauded the Bank's record on reform. "If I were the Bank, I would charge the Government of Uganda for the advice [that accompanies Bank loans]."

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pacidad está retrasado; y el poder judicial aún no ha concluido su descentralización. El sector privado no se ha convertido todavía en el motor, moderno y dinámico, del crecimiento que la sociedad necesita. Por otra parte, la estabilidad del país está en peligro, a raíz de la incapacidad del gobierno para llegar a un acuerdo con fuerzas insurgentes del norte y su injerencia en asuntos internos de los países vecinos.

Conclusiones

A pesar de los problemas pendientes, la AIF ha cumplido una importante función, pues contribuyó al notable progreso alcanzado por Uganda desde el fin de la guerra civil. El programa de reforma macroeconómica de la AIF ha sido sumamente pertinente y eficaz. Si bien persisten profundas disparidades entre ricos y pobres y existen deficiencias en los planes de la AIF para aliviar la pobreza rural, ésta ha ayudado a reducir apreciablemente la pobreza. El programa de desarrollo institucional de la AIF ha sido ambicioso, pero mientras que su respaldo a la reforma presupuestaria ha sido sumamente satisfactorio, el éxito del fortalecimiento de la capacidad y la reforma de la administración pública sólo ha sido parcial; por otra parte, la lucha contra la corrupción y la descentralización de la prestación de servicios acaban de comenzar. En cuanto al desarrollo del sector privado, los resultados también han sido satisfactorios sólo en parte: el asesoramiento de la AIF sobre políticas fue muy pertinente, pero sus esfuerzos por mejorar la infraestructura han resultado insuficientes; la interferencia política y el

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blèmes subsistent. Les inégalités se sont aggravées et très peu a été fait en faveur du développement rural. La gouvernance reste faible; les services rendus par les administrations publiques ne valent pas les efforts financiers consentis par la population; en dehors des principaux services centraux, le développement des capacités de la fonction publique est très lent et il est encore impossible d'évaluer les progrès de la décentralisation. Le secteur privé n'est pas encore un secteur moderne et dynamique. En outre, la stabilité du pays est menacée par l'incapacité du gouvernement de s'entendre avec les rebelles du nord et par ses interventions dans les affaires de pays voisins.

Conclusions

En dépit de tous ces problèmes, l'IDA a joué un rôle significatif dans les progrès de l'Ouganda depuis la fin de la guerre civile. Le programme de réformes macroéconomiques était tout à fait pertinent et efficace. Malgré la persistance des inégalités et l'insuffisance des interventions en faveur des pauvres ruraux, l'IDA a contribué à une réduction sensible de la pauvreté. Les objectifs de développement institutionnel de l'IDA étaient ambitieux et des résultats très satisfaisants ont été obtenus dans la réforme budgétaire; mais les succès sont plus limités en ce qui concerne le développement des capacités et la réforme de la fonction publique; quant aux campagnes contre la corruption et pour la décentralisation des services, elles viennent seulement de débiter. Ce sont seulement des progrès partiels qui ont été réalisés pour le développement du secteur privé; les conseils

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Stakeholders noted the increasingly participatory nature of the Bank's approach. "From the [Agency X] point of view, we are part of very open, understanding discussions in almost all the programs pertaining to the World Bank" (core government participant).

"All through the [project on agricultural research and training] there were participatory discussions with the Bank. When we did the research on privatization, we all discussed it and tried to reach a consensus. Thinking has changed..." (civil society).

Summing up the Bank's openness to change, "The Bank is always sensitive to what [it] can do better" (line ministry). "As long as the Bank commits to continue changing, and as long as we, as partners, are willing to push the Bank to implement these changes, we'll have progress" (core government).

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incumplimiento de las medidas pertinentes han traído aparejada la lentitud del proceso de privatización y del desarrollo del sector financiero.

Teniendo en cuenta todas las circunstancias, los resultados del programa de la AIF en Uganda han sido satisfactorios y su contribución al desarrollo institucional, moderada. Pero el peligro de la corrupción y la agitación militar ensombrece el futuro, y no hay certeza de que se puedan mantener las tasas de crecimiento y reducción de la pobreza verificadas en el pasado.

Voces de los interesados

La estrategia de asistencia a Uganda está acompañada de un informe en el que se han recogido las impresiones de los interesados, organizados por el DEO según su grupo de pertenencia, sobre la estrategia de asistencia del Banco. Los entrevistados pertenecen al gobierno, la sociedad civil, organizaciones no gubernamentales, el sector privado y los donantes. Si bien los participantes no representaban estadísticamente a sus grupos, la coincidencia de opiniones resultó notable.

Los participantes de la sociedad civil elogiaron los logros del Banco relativos a la reforma. "Si yo fuera el Banco, cobraría al gobierno de Uganda el asesoramiento [que acompaña a los préstamos del Banco]".

Los entrevistados señalaron la naturaleza cada vez más participativa del enfoque del Banco. "Desde el punto de vista de [organismo X], hemos tomado parte en conversaciones muy abiertas, con funcionarios comprensivos, en casi todos los programas del Banco Mundial" (participantes del gobierno central).

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de politique étaient tout à fait pertinents, mais les efforts de l'IDA pour améliorer les infrastructures étaient insuffisants et des ingérences politiques et le manque de vigueur des mesures d'application ont freiné la privatisation et le développement du secteur financier.

Dans l'ensemble, les résultats du programme de l'IDA en Ouganda sont satisfaisants, mais la contribution au développement des institutions a été modeste. L'avenir est menacé par les risques de corruption et de conflits militaires; il n'est pas certain que l'Ouganda pourra pérenniser les résultats obtenus dans le passé sur le plan de la croissance et de la réduction de la pauvreté.

Les Vues des Intéressés

À l'Évaluation de l'Assistance à l'Ouganda est annexé un rapport qui reflète les vues des intéressés sur la stratégie de la Banque, telles qu'elles ont été définies par des groupes de discussion organisés par l'OED. Les participants à ces groupes venaient du gouvernement, de la société civile, des organisations non gouvernementales, du secteur privé et des bailleurs de fonds. Bien que les participants ne soient pas statistiquement représentatifs de leurs catégories, il est important de noter la cohérence de leurs vues.

Les membres de la société civile ont fait des commentaires très flatteurs sur les résultats obtenus par la Banque sur le plan des réformes. «Si j'étais la Banque, je ferais payer par le gouvernement ougandais les conseils [qui accompagnent les prêts de la Banque].»

Les intéressés ont noté les progrès réalisés par la Banque dans la pro-

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“Durante todo el [proyecto de investigación y capacitación agrícola] hubo conversaciones participatorias con el Banco. Cuando investigamos sobre privatización, todos intercambiamos opiniones al respecto y tratamos de llegar a un consenso. La forma de pensar ha cambiado...”. (sociedad civil).

Resumiendo la apertura del Banco frente al cambio, “El Banco siempre está atento a lo que puede mejorar” (ministerio de operaciones). “Mientras que el Banco se comprometa a seguir cambiando y mientras que nosotros, como sus asociados, estemos dispuestos a alentarlos a implementar esos cambios, progresaremos” (gobierno central).

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motion de processus participatifs. «En ce qui concerne notre agence [l'Agence X], nous participons à un dialogue ouvert et compréhensif sur la quasi totalité des programmes impliquant la Banque Mondiale» (participant venant d'une administration centrale).

«Tout au long du [projet de recherche et de formation agricole], nous avons eu des discussions participatives avec la Banque. Quand des recherches ont été entreprises sur la privatisation, tous ont participé au débat et nous avons tenté de parvenir à un consensus. Nos idées ont évolué...» (société civile).

Résumant l'ouverture de la Banque au changement, «La Banque est toujours consciente qu'elle peut faire mieux» (ministère technique). «Aussi longtemps que la Banque restera prête à évoluer, et que nous mêmes, ses partenaires, encourageons la Banque à mettre en œuvre ces changements, nous pourrons progresser» (ministère central).

ABBREVIATIONS AND ACRONYMS

AG	Auditor General
AIDS	Acquired immunodeficiency syndrome
ASAC	Agricultural Sector Adjustment Credit
CAE	Country Assistance Evaluation
CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
CEM	Country Economic Memorandum
CG	Consultative Group
CSP	Country Strategy Paper
CSR	Civil service reform
DDP	District Development Programme
DFID	Department for International Development (U.K.)
EDI	Economic Development Institute (now the World Bank Institute)
EFMP	Economic and Financial Management Project
ERC	Economic Recovery Credit
ERP	Economic Recovery Program
ESAC	Education Sector Adjustment Credit
ESAF	Extended Structural Adjustment Facility
ESMAP	Energy Systems Management Assistance Program
ESW	Economic and sector work
FSAC	Financial Sector Adjustment Credit
GDI	Gross domestic investment
GDP	Gross domestic product
GNP	Gross national product
GOU	Government of Uganda
HIAL	Higher Impact Adjustment Lending
HIPC	Heavily Indebted Poor Country
HIV	Human immunodeficiency virus
IBRD	International Bank for Reconstruction and Development
ICBP	Institutional Capacity Building Project
ICR	Implementation Completion Report
ID	Institutional development
IDA	International Development Association
IFC	International Finance Corporation
IGG	Inspector General of Government
IMF	International Monetary Fund
LGDP	Local Government Development Program
M&E	Monitoring and evaluation
MFPED	Ministry of Finance, Planning, and Economic Development
MP	Member of Parliament
MTEF	Medium-Term Expenditure Framework
NARO	National Agricultural Research Organization
NECDP	Nutrition and Early Child Development Program
NEMA	National Environmental Management Authority
NGO	Nongovernmental organization
NPART	Non-Performing Assets Recovery Trust
NPV	Net present value
NRM	National Resistance Movement

NURP	Northern Uganda Reconstruction Project
OED	Operations Evaluation Department
PAF	Poverty Action Fund
PAPSCA	Program for Alleviation of Poverty and Social Costs of Adjustment
PCO	Project coordination office
PEAP	Poverty Eradication Action Plan
PER	Public Expenditure Review
PERD	Public Enterprise Reform and Divestiture
PFP	Policy Framework Paper
PIU	Project Implementation Unit
PPA	Priority program areas
PR	Public relations
PRSP	Poverty Reduction Strategy Paper
PSD	Private sector development
PSM	Public sector management
RDC	Resident district commission
SAC	Structural Adjustment Credit
SAP	Structural Adjustment Policies
SAPRI	Structural Adjustment Participatory Review Initiative
TA	Technical assistance
UEB	Uganda Electricity Board
UIA	Uganda Investment Authority
UNDP	United Nations Development Programme
UNFPA	United Nations Fund for Population Activities
UNICEF	United Nations Children's Fund
UPE	Universal Primary Education
UPPAP	Uganda Participatory Poverty Assessment Program
URA	Uganda Revenue Authority
USAID	U.S. Agency for International Development
WHO	World Health Organization

PART 1

**COUNTRY
ASSISTANCE
EVALUATION**

Jayati Datta-Mitra



UGANDA'S DEVELOPMENT SINCE 1986

Good growth, low inflation, and balanced external accounts followed Uganda's independence in 1962, but from 1971 onward, the country was exposed to increasing mismanagement and political instability, and finally to civil war. The comprehensive economic recovery program launched when the National Resistance Movement took power under President Yoweri Kaguta Museveni in 1986 has led to remarkable recovery.

The Ugandan authorities, in facing economic and political challenges, seemed to anticipate the World Bank's Comprehensive Development Framework (CDF). They tried to ensure that reform would be broad-based and long term, consultative, shared widely by stakeholders, and oriented toward defined goals. The government also demonstrated increasing ownership of reform when it imposed fiscal discipline, adopted decentralization, liberalized foreign exchange markets, and made primary education universal (Tumusiime-Mutebile 1995).

Economic Reform and Recovery

When the Museveni government assumed power in 1986, it took over a shattered economy: much of the infrastructure had been destroyed; gross domestic product (GDP) was more than 20 percent below its 1970 peak; budgetary discipline had seriously declined; inflation was rampant; the official exchange rate was grossly overvalued;

and exports, primarily coffee, had shrunk drastically.¹ When an early *dirigiste* approach to reform failed, the Government of Uganda (GOU) announced a market-oriented Economic Recovery Program (ERP) to promote rehabilitation and growth, improve internal balances to reduce inflation, increase the volume and diversity of exports to limit external account imbalances, and strengthen the institutional framework. The International Development Association (IDA), the International Monetary Fund (IMF), and numerous multilateral and bilateral donors supported the ERP.

Initially, not all policymakers were convinced that stabilization and market-oriented adjustment were correct; attempts to constrain budget expenditures were undermined by lax controls. When an increase in public expenditures in FY92 combined with a sharp fall in coffee prices to push the budget deficit to 14.4 percent of GDP, broad money (M2) expanded, and inflation

soared to an annualized 230 percent. Donors cut aid back, and IDA and the IMF delayed assistance. The president changed his economic team and reaffirmed his commitment to stabilization. FY92 thus marks a great divide in the government's ownership of reform: the president's vision and the continuity of the technical team that took over the helm of the Ministry of Finance, Planning, and Economic Development (MFPED) have been the major factors behind the impressive implementation of reform since March 1992.²

Following the 1992 crisis, the monopoly marketing arrangements for agricultural commodities—particularly coffee, tea, and cotton—were gradually dismantled, and foreign exchange allocations became more market-oriented. By April 1994, the government was able to commit to a free and open exchange system under the IMF's Article VIII. Trade reform continued through FY99, and Uganda's trade regime is now among the most liberalized in Africa.³

Fiscal policy was strengthened with the adoption of cash budgeting, revenue measures, improvements in tax administration, and strong donor support. The MFPED reformed budget processes, improved expenditure allocation, and protected priority program areas.⁴ The government recognized that to improve budget discipline, it needed to pare the civil service and eliminate public enterprise subsidies through restructuring and divestiture. In the context of a financial sector adjustment program initiated in FY93, the government liberalized interest rates, established a treasury bill market, passed legislation to strengthen the banking system and the supervisory role of the Bank of Uganda, and took steps to reduce the nonperforming portfolios of weak banks before privatization.

These reforms had remarkable results (see figure 1.1). Inflation was curbed by FY94, the external account deficit declined, GDP growth averaged 7 percent during FY93–97, and the rate of private investment almost doubled over the past decade.

Since domestic savings have lagged, the government's adjustment efforts have relied heavily on multilateral and bilateral aid. Total official development assistance more than tripled between 1986 and 1996, and the grant element of

aid is now 90 percent. The multilateral flows that initially dominated Ugandan aid declined after 1994 and are now on a par with bilateral flows. The increase in bilateral flows, despite the global decline in bilateral aid after 1991, is widely attributed to Uganda's successes and regional leadership. Formerly overseen by five government units, aid is now coordinated by the MFPED through periodic formal meetings with donors on the economy's progress, thematic issues, aid needs, debt relief, the annual budget process, and the Poverty Action Fund (PAF).⁵ On the basis of its strong adjustment record, Uganda became eligible for debt relief under the Highly Indebted Poor Countries (HIPC) Initiative in April 1997.

In 2000 Uganda submitted a Poverty Reduction Strategy Paper as part of its requirements under the HIPC Initiative (see box 1.1).

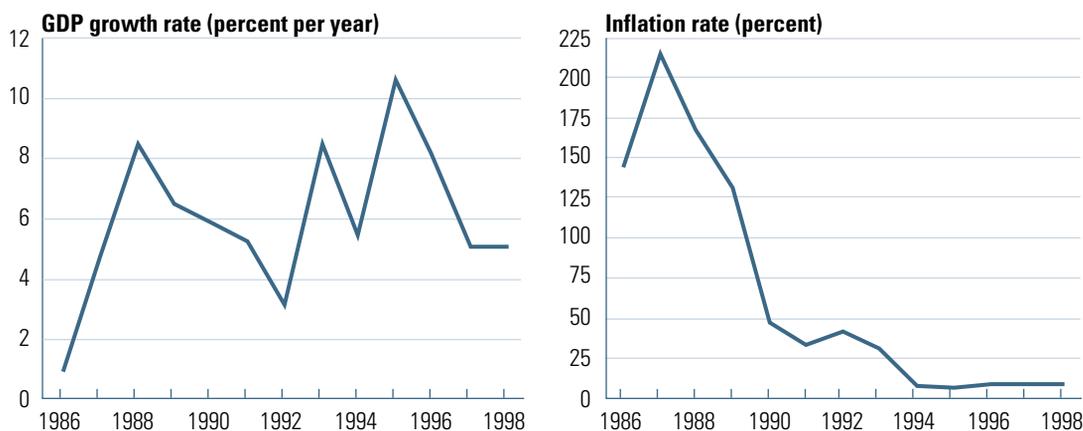
Poverty, Gender Bias, and Social Conditions

Poverty

Although absolute poverty (measured by head-count) fell by 21 percent between FY92 and FY98, 44 percent of the population remains poor (Appleton 1999). Poverty is overwhelmingly rural: 95 percent of the poor are in rural areas and are concentrated among food crop farmers, women, and the country's northern and eastern regions.

The government's initial strategy for reducing poverty was to promote growth and improve the availability of social services. It also promoted two projects to address the social impact of adjustment and the needs of Uganda's war-torn northern districts.⁶ In 1993, the government committed itself to decentralization in order to strengthen local decisionmaking and popular control over services.⁷ By 1995, the government realized that economic growth had not been sufficiently broad-based to address mass poverty and improve Uganda's human development indicators. It therefore adopted a Poverty Eradication Action Plan (PEAP); key elements are to maintain growth-promoting macroeconomic policies; encourage broad-based growth sufficiently to increase economic opportunities for the poor (especially in agriculture); provide social infra-

Figure 1.1 GDP Growth and Inflation, 1986–98



Source: IMF, *International Financial Statistics*, various issues cited in OED 1999.

Box 1.1 Uganda's Poverty Reduction Strategy Paper

On May 2, 2000, Uganda reached a milestone when it became the first country to have a discussion of a full Poverty Reduction Strategy Paper (PRSP) by the Executive Board of the World Bank. The PRSP submitted as part of the requirements of the Enhanced Highly Indebted Poor Countries (HIPC) Debt Initiative second completion point was prepared by the Government of Uganda through a substantive participatory process. It brings together the summary and main objectives of the revised Poverty Eradication Action Plan (PEAP) and the Medium-Term Expenditure Framework (MTEF). It sets forth an analysis of poverty, the objectives of the strategy, and the prioritization and costing of the measures, integrating these into a medium-term budget and macro-economic framework.

The PRSP aims at a reduction in absolute income poverty from the 44 percent estimated in 1997 to 10 percent by 2017, universal primary enrollment (along with higher primary completion rates and education achievement), and a series of other human development goals for the year 2004/05. The PRSP describes specific actions to be taken over the medium term in order to

achieve these goals through interventions in four broad areas: creating a framework for economic growth and transformation; ensuring good governance and security for all, particularly those in the strife-torn regions in the north and east; directly increasing the ability of the poor to raise their incomes; and increasing the quality of life of the poor.

There is no explicit evaluation strategy in the PRSP. The Poverty Status Report, first prepared in 1999, and to be repeated every two years thereafter, provides the main institutional vehicle through which the monitoring information will impact on future revisions of the PEAP. OED recommends that this institutional mechanism be strengthened to be able to better coordinate the information and ensure that it is real time and relevant. A clearly articulated evaluation strategy with well-specified goals and clear delineation of responsibilities and requirements—from monitoring to evaluation to policy formulation/refinement and implementation, with time-bound benchmarks in each case—will improve the relevance and efficiency not only of the monitoring process but also of the overall strategy as it unfolds.

structure; create a capacity for quick response to shocks; build a secure, just, and tolerant social order; and promote balanced regional develop-

ment (Uganda PEAP). In 1997, the government adopted universal primary education as a national goal. In 1998, the government also established

the PAF as an instrument for achieving PEAP objectives. The PAF ring-fenced the savings from HIPC to ensure that they were used transparently and that they were truly additional to budget resources that would have been committed to poverty reduction in the absence of HIPC.

Reducing Gender Bias

Since women constitute 47 percent of the labor force and account for 80 percent of Uganda's food production, but have little or no access to economic resources—7 percent own land and 8 percent have leaseholds—Uganda has taken a number of steps to address gender bias. The Parliament reserved 39 seats for women, and the 1995 Constitution and the 1997 Local Government Act reserved one-third of the local councilors' seats for women, eliminating the minimum educational requirements for local councilors that effectively discriminated against illiterate women. Moreover, the 1997 act required the election of women councilors by universal adult suffrage, not by a male-dominated electoral college. Finally, the Land Act of 1999 required that at least one of the three arbitrators in each sub-county's land tribunal be a woman—a bold initiative in a society where men have traditionally settled disputes (NAWOU 1995; Gopal and Salim 1998).

Social Progress

Ugandan social indicators continue to be dismal. Because Uganda has had one of the worst human immunodeficiency virus (HIV)/acquired immunodeficiency syndrome (AIDS) epidemics, and because the country's health delivery systems have been slow to improve, health indicators such as life expectancy at birth, the infant mortality rate, and the death rate initially deteriorated or remained poor. However, Uganda's aggressive HIV/AIDS public health program made it one of the first countries in Sub-Saharan Africa where HIV prevalence is steadily declining. Immunization rates for diphtheria and measles have improved, and other health and education indicators, such as fertility and birth rates, gross primary enrollment rates, and access to safe water and sanitation, indicate progress (see table 1.1 and Annex 1.1, table 1.1.1).

Institutional Progress

Independent surveys of business conditions and governance and the Bank's assessments of economic management and institutional performance across countries suggest that by 1999, Uganda was either ahead of or on a par with comparator countries on law and order and indicators of financial sector, trade policy, and market access. Uganda fell short on indicators for corruption, government intervention, and regulation. While the statistical accuracy of the independent data have been questioned, these are the numbers that determine foreign investors' perceptions of the business climate in Uganda.⁸

Challenges for the Future

By FY95, the government's ability to maintain macroeconomic stability was no longer seriously questioned, although vigilance is still needed. Policymakers therefore turned to issues that they had addressed in a primarily macroeconomic context in the past: poverty eradication, institutional development (ID) in all areas of public sector management (PSM), and the creation of a favorable environment for private sector development (PSD). The agenda in each of these areas is still largely unfinished.

Because large poverty gaps persist—between the genders, regions, rural and urban areas, and cash crop and food crop farmers—the government has seen that growth may not be enough to resolve income disparities. It has realized its need to press on with PSM reform in order to promote ID: to make output-oriented budgeting a reality, accommodate the needs of decentralization, rethink capacity building strategy and extend it beyond the government's core agencies, carry civil service reform (CSR) beyond cutting numbers and reorganizing ministries, and foster good governance. To promote PSD, the government is attempting to complete its privatization program, promote transparency, free public resources for services, enforce financial sector reforms, reduce intermediation costs, improve access to financial and infrastructure services, and promote corporate governance.

Reforms in these areas are more sectoral, microeconomic, and complex; they require time,

Table 1.1 Selected Economic Indicators

Category	Indicator	1987	1996
Demographic	Birth rate	50.5	46.8
	Death rate	17.6	19.4
	Fertility rate	7.1	6.7
	Life expectancy at birth	48.3	43.1
	Infant mortality	115.5	98.6
Health	Stunting under 5	—	38.0 ^a
	Oral rehydration therapy under 5	—	45.0 ^b
	Diphtheria immunization	39.0-	79.0 ^c
	Measles immunization	48.0 ^b	79.0 ^c
Access to hygiene	Safe water: rural	45.0 ^d	47.0 ^e
	Safe water: urban	12.0 ^d	32.0 ^e
	Sanitation: urban	40.0 ^d	75.0 ^e
Education	Illiteracy	43.0 ^f	38.0 ^e
	Gross primary enrollment rate	50.0 ^g	73.0 ^c

a. 1984–95.

b. 1992–93.

c. 1995.

d. 1988.

e. 1994.

f. 1985.

g. 1980.

Source: World Bank 1997, 1998.

tailoring to specific contexts, a holistic approach, and careful sequencing. Moreover, unlike past macroeconomic reform, which created relatively few losers (given the post-war Ugandan

context), they require the participation and partnership of many more domestic and donor stakeholders, who do not necessarily have uniform views on reform.⁹



SERVICES AND PRODUCTS

This section evaluates the International Development Association's (IDA) assistance from the bottom up. It assesses each of the services and products deployed by IDA: carrying out economic and sector work (ESW), engaging in strategy and policy dialogue, fostering participatory processes, mobilizing resources, coordinating aid and debt relief, and lending.

Economic and Sector Work

The outcome of IDA's ESW has been *very satisfactory*. Given the urgency of postwar recovery and the poor availability of statistical data, IDA initially relied primarily on past ESW, available Bankwide analysis, and best practice and policy papers.¹ Where the particularities of the Ugandan situation warranted specific analysis and time was not critical, IDA leveraged its own scarce resources by financing preinvestment or technical assistance (TA) studies, partnering studies with Ugandan agencies or cofinanciers, or relying entirely on other donors to perform analytical background work. By the early 1990s, however, IDA had begun to conduct its own in-house assessments, which included transport (1990), finance (1991), public expenditure (in a 1991 Public Expenditure Review, or PER), district management (1992), gender (1992), agriculture (1993), poverty (1993), and social sector strategy (1993). (See Annex 1.1, table 1.1.2.) A number of these studies, partic-

ularly the PERs and those on poverty and the social sectors, were timely, and shaped IDA and government debates and actions.

IDA's ESW burgeoned after 1993. Examples include work on the progress of privatization (1994), the role of nongovernmental organizations (NGOs) and community-based groups in poverty alleviation (1994), the financial sector (1995), poverty (particularly the 1995 Country Economic Memorandum (CEM), Poverty Eradication Action Plan (PEAP), 1998 and 1999 poverty updates), successive PERs and budget reform papers (1997 in particular), tracking social sector expenditures (1997), agriculture (1998), health access (1998–99), and investment (1998–99). These studies were timely in changing the course or pace of government and IDA actions (as Chapter 3 demonstrates). Short just-in-time technical notes of the type incorporated in the Third Structural Adjustment Credit (SAC III) supplemented formal ESW.² Given its range and timeliness, IDA's ESW has been *relevant*.

A significant number of both formal and informal reports have been very successful in sharpening Ugandan awareness of neglected issues or approaches.³ The 1995 CEM helped reorient Uganda's budget policy toward poverty eradication, and the 1997 Country Assistance Strategy (CAS) catalyzed the three-year, ongoing Uganda Participatory Poverty Assessment. IDA's ESW has whetted enough donor interest in policy issues to attract donor funding (from Sweden, for example, for the tracking and incidence studies, and the United Kingdom, for the participatory poverty assessment), and it has also encouraged collaboration with the Ugandan private sector and such think tanks as the Economic Policy Research Centre. Within the Bank, the social expenditure tracking study has served as an example for similar efforts in other Bank client countries. The IDA staff's survey techniques could also serve as best practice examples for other countries where statistical data are limited or poor in quality.

IDA's average ESW costs per task for FY88–97 were lower for Uganda than for the Africa Region, the Bank as a whole, and five comparator countries (see Annex 1.1, table 1.1.3). With the introduction of dollar budgeting, ESW resources declined sharply in FY93–97 (see Annex 1.1, table 1.1.9). Average ESW costs per task also declined sharply during the period. The latter mainly reflects IDA's reliance on donor trust funds, piggy-backing ESW on IDA's lending operations, an increase in informal ESW, as well as increased efficiency, but it could also reflect poor data recording.

Strategy and Policy Dialogue

IDA's strategy for Uganda has been spelled out in country strategy papers, CAS documents, Structural Adjustment Credits (SACs), and annual Policy Framework Papers (PFP) prepared jointly by the government, IDA, and the International Monetary Fund (IMF). The government, donors, and elements of civil society with access to IDA's documents have generally appreciated IDA's strategy formulation. IDA's CASs have had some influence on several donors who are now preparing their own strategy documents (*Voices*).⁴ The 1997 CAS was also the first Bank CAS to be made publicly available (see boxes 2.1 and 2.2).

Nevertheless, NGOs and civic leaders have suggested that a more user-friendly version of IDA CASs might be disseminated to a wider audience (*Voices*).

IDA's strategy and objectives have evolved from an early emphasis on stabilization and growth to greater emphasis on poverty reduction, public sector management (PSM), and private sector development (PSD; see Annex 1.1, table 1.1.4). As the PFP and Economic Recovery Credit (ERC) documents indicate, IDA's primary focus through 1987–90 was appropriately on recovery and stabilization (Green 1999). While emphasis on stabilization grew stronger in 1991–92 (1991 Country Strategy Paper, PFP 1992) and continued through the 1997 CAS, the 1991 strategy paper and the 1992 PFP articulated structural reforms for PSM and PSD and improved living conditions as a step toward poverty alleviation.⁵ The importance of poverty reduction and specific PSM and PSD areas was reiterated in the 1993 CAS, but IDA began to flesh out the structural measures underlying these objectives more consistently in strategy documents only in 1995 (CAS 1995 and 1997 [see box 2.1], SAC III, and PFP 1999). IDA's strategy documents have been comprehensive rather than strategic (as Annex 1.1, table 1.1.4 demonstrates), and IDA has overextended itself in pursuit of too many goals. Moreover, the strategic measures recommended have been so broad that core government executives, NGOs, and civic leaders have found it difficult to gauge IDA's objectives (*Voices*). Although adjustment lending has been regarded as essential for macroeconomic stability, as well as for winning over the critics of reform, emphasis has been shifting gradually since 1995 toward sector reforms and sectorwide lending initiatives.

From the beginning, IDA has developed strategy in close collaboration with the government, standing behind its client even when it did not fully agree with its strategy (as during Uganda's tilt toward "controls" in 1986 and during the crisis of 1992) (Holmgren and others 1999, p. 34). Continuous dialogue has helped win the president and senior policymakers over to reform and has strengthened the reformers within the government.⁶ IDA and the Ministry of Finance, Planning, and Economic Development (MFPED) have been

Box 2.1

Uganda Country Assistance Strategies,
1995 and 1997

The 1995 Country Assistance Strategy (CAS) marked a notable shift in strategy toward poverty reduction. Key goals were to maximize labor-intensive growth and strengthen economic and social infrastructure, develop human resources, and provide public services. Predicated on maintaining macroeconomic stability and reform, the strategy included measures to address gender bias, environmental protection, decentralization, and capacity building. It assumed routine client consultation and beneficiary participation in projects. In addition, the CAS called for greater emphasis on sector investment lending and for phasing out import support or nonproject lending as domestic revenue was mobilized.

The 1997 CAS marked two changes. First, recognizing that the International Development Association's (IDA) program had remained relatively urban and oriented toward formal sectors, it intensified IDA's poverty focus. Second, it reversed the earlier recommendation for phasing down nonproject lending. The CAS envisaged strong economic and sector work to better understand poverty, assess IDA's capacity building, analyze investment pat-

terns to determine the optimal pace of public revenue growth, determine the efficacy of public spending, and investigate options for environmentally sustainable agricultural growth. Policy-based lending was considered central to IDA's support for universal primary education and to its impact on the public sector. The 1997 CAS also recognized that since Uganda was prone to external shocks (drought, terms of trade declines, security problems) and uncertain revenue performance, the country would need additional foreign aid to finance the budget. It envisaged an annual increase in IDA's assistance from US\$150 million to about US\$250 million to reward "good performance and policies" without aggravating the country's external debt beyond sustainable levels. Poverty-focused investment credits would finance nutrition and early childhood development, health sector reform, roads, agricultural research and development, and regionally targeted interventions. Capacity building would be addressed through investment and sector operations. Finally, IDA would support decentralization.

fruitfully symbiotic, particularly since 1992, when the government assumed full ownership of the reform process. The MFPED generally relies on IDA's analysis to identify issues, but then articulates the reform agenda. However, this teamwork has been more difficult in sectoral areas: sector-wide reform approaches are not as clear-cut as macro reforms, line ministries are not as technically strong as the MFPED, and the relationships between IDA and line ministries are not as close. Thus, although IDA's strategy could have been more focused, taking account of the close and continuous cooperation between the Government of Uganda (GOU) and IDA since 1987, IDA's strategy and policy dialogue have been *satisfactory*.

Fostering Participatory Processes

IDA built on the openness to participation that Ugandan policymakers evinced from the very beginning of the Museveni government and on the experience with participatory approaches gained during 1995–97 in the preparation of the PEAP. The 1997 CAS was developed through extensive consultations with stakeholders. This participatory process, conducted jointly with the government, with technical support from the United

Kingdom, broke new ground and was widely appreciated in Uganda (box 2.2). Participation was also the basis of the Structural Adjustment Participatory Research Initiative, the presentation of the privatization program to Parliament, the preparation of the Private Sector Competitiveness Project, and the Highly Indebted Poor Countries (HIPC) Initiative. More recently, participation has become almost routine in preparing lending operations such as the Nutrition and Early Childhood Development Project and the Local Government Development Program. Thus IDA's attempts to foster participatory approaches by example have been *highly satisfactory*.

Resource Mobilization and Aid Coordination

IDA efforts to coordinate aid and keep donors informed have helped Uganda meet not only its resource needs but also many of its key reform goals through donor cofinancing and technical assistance. In turn, donors acknowledge that IDA-supported macroeconomic reforms have helped create the stable enabling environment that they need for their own activities to flourish (Battaile 1999).

Box 2.2

Good Practice: IDA's Participatory Approach

IDA's most far-reaching participatory efforts were connected with its 1995 ESW on poverty and its 1997 Country Assistance Strategy (CAS). IDA's 1995 Country Economic Memorandum/Poverty Update was discussed at the Consultative Group (CG) and a national conference on poverty attended by donors and civil society, organized in Kampala with the assistance of the Netherlands. The government then set up, with the International Development Association's (IDA) assistance, a Task Force on Poverty Eradication composed of government officials, donors, nongovernmental organizations (NGOs), and IDA. The resulting draft Poverty Eradication Action Plan (PEAP) was circulated nationally and extensively debated by district authorities, line ministries, NGOs, academics, and donors. At a fairly late stage, the IDA team, engaged in its own participatory CAS discussions, realized that the PEAP's consultative process had been oriented heavily toward Kampala's elite and suggested that the draft be revised in light of discussions with poor communities at the district level. This was carried out in the con-

text of Uganda's Participatory Poverty Assessment Programme, which began in 1998 and has since become an ongoing means of eliciting information on poverty trends in the country.

At about the time the PEAP was being developed, IDA formulated its 1997 CAS with a dual participatory approach. First, it consulted on its assistance strategy with central and local government officials, donors, representatives of the NGO Forum, and the Private Sector Foundation. Then it supplemented the consultations with research based on the participation of more than 50 focus groups in two Ugandan districts. The focus groups consisted of local officials, councilors, and district and subcounty NGOs, as well as adults and children of both genders from village communities. The Uganda assistance strategy was thus perhaps the most broadly discussed of IDA's Africa CASs. It helped lay a good foundation for the government, International Monetary Fund, and IDA to follow participatory processes in preparing the proposed Poverty Reduction Strategy Paper.

Initially, IDA's aid coordination was largely focused on gaining cofinancing and parallel financing for reform. For example, ERC I and ERC II mobilized US\$125 million and US\$72 million, respectively, and the first two SACs mobilized an additional US\$78 million. The aid was contributed by a number of donors and multilateral agencies, including the African Grant Facility, the Danish International Development Agency, Norway, the United Kingdom, the United States Agency for International Development, the European Economic Community, Switzerland, the United Nations Development Programme, and the United Nations International Children's Emergency Fund. Since then, IDA's aid coordination mechanisms have evolved from largely ad hoc consultations for encouraging cofinancing to a mix of formal and informal activities.

Formal activities include the annual Consultative Group (CG) meetings, monthly meetings of donor heads, and a small number of sector and thematic meetings of donor sector specialists that may or may not be chaired by the government. IDA has chaired 12 annual CG meetings since 1986, the last 2 in Uganda. Donors believe that the meetings in Kampala fos-

tered government ownership and broadened the development dialogue within the government and Ugandan civil society. IDA also chairs monthly meetings attended by the heads of almost all multilateral and bilateral agencies in Kampala; from this, subgroups have spun off to coordinate activities in specific sectors or thematic areas. The meetings are generally informal and task-focused, and sometimes attended by government participants.⁷ Donors say that resident mission staff have actively promoted such activities, especially information-sharing. IDA has encouraged other donors to take the lead in coordinating and developing sector and subsector strategies with the government. Donors point out that IDA still tends to go it alone with the GOU when funding opportunities arise, as in education, and that IDA's effectiveness in promoting sector strategies has been limited by relatively weak sectoral representation in Kampala (*Voices*). However, subsequent progress on the Universal Primary Education program has gone a fair way to bringing IDA's critics back to a coordinated approach to the education sector program. Thus, overall, IDA's aid coordination efforts have been *satisfactory*.

Debt Relief

Uganda's legacy of debt inherited from previous regimes and the financial assistance it received for rehabilitation and reform left it with a large, unsustainable debt burden in the 1990s. In 1996, Uganda's debt-to-export ratio exceeded 1,400 percent, and its debt-service ratio exceeded 60 percent (Holmgren and others 1999, p. 8). As Uganda's largest creditors, IDA and the IMF have promoted debt relief for Uganda.⁸ IDA has organized multilateral debt relief through the Multilateral Debt Fund, promoted commercial debt reduction through its Debt Reduction Facility for IDA-Only Countries, and sponsored the HIPC initiative (box 2.3) with the IMF.⁹ Under HIPC, IDA has promoted the principle of equitable burden-

sharing among multilateral, bilateral, and private creditors. In this context, IDA has worked with donors and NGOs (such as Oxfam International, the Uganda Debt Network, and Oxfam Uganda) to work out debt relief solutions. IDA's debt relief efforts have therefore been highly satisfactory.

IDA's Lending

During FY86–99, IDA supported 46 projects, with total commitments of about US\$2.1 billion. IDA's average annual US\$8.49 per capita commitments to Uganda during FY87–98 were high relative to the average US\$7.3 for six comparator countries in Africa selected by income levels, location, and post-conflict status: Burkina Faso, Ghana, Kenya, Malawi, Mozambique, and

Box 2.3

The Highly Indebted Poor Countries Initiative

A number of factors contributed to Uganda's eligibility for Highly Indebted Poor Countries (HIPC) debt relief in 1997: its deep indebtedness, extreme vulnerability to external shocks, strong record of reform, receipt of Paris Club relief, eligibility for the International Monetary Fund's (IMF) Extended Structural Adjustment Facility (ESAF), and International Development Association (IDA)-only status. Uganda was the first country to receive HIPC assistance, in April 1997; the first country to reach the completion point, in April 1998; and, with Bolivia, the first recipient of debt relief under the enhanced HIPC, in January 2000.

The initial HIPC proposed to lower Uganda's debt-to-exports ratio to 202 percent (in net present value, NPV) by April 1998. Total debt relief was about US\$338 million at the decision point; about 79 percent was provided by multilateral creditors, the remainder by bilateral and private creditors. IDA's US\$160 million share in NPV terms was funded by grants and the HIPC Trust Fund. IDA debt relief was contingent on satisfactory structural and social reforms under ESAF, IDA's Third Structural Adjustment Credit, and new or ongoing IDA health and education projects. All performance criteria were met. Since most of IDA's debt was still in the grace period, it was decided (at the government's request) to front-load IDA's assistance, thus substantially reducing Uganda's principal and service payments through the purchase and cancellation of 13 IDA credits and the payment of IDA's debt service over five years. All multilateral bank arrears were cleared or rescheduled, and Paris Club creditors agreed

to apply Lyons terms to Uganda's debt stock operations subject to Naples and London terms. However, the fall in Ugandan exports in FY98 meant that Uganda's NPV of the debt-to-exports ratio had risen to 240 percent by the end of June 1999.

In September 1999, the Interim and Development Committees endorsed HIPC enhancements. Subsequently, the Bank's Board approved additional debt relief equivalent to US\$656 million for Uganda, the multilateral creditors' share being about 83 percent. IDA assistance, amounting to 54 percent of the total, was to provide relief equal to 38 percent of IDA's outstanding balances as of the end of June 1999. Uganda's NPV of the debt-to-export ratio is expected to reach 150 percent by completion. Under the Enhanced HIPC, IDA will support Uganda's poverty reduction strategy. Before the April 2000 completion, the government finished a participatory Poverty Reduction Strategy Paper, which was endorsed by the Board of IDA and the IMF, and performed satisfactorily under the Fund's Poverty Reduction and Growth Facility. In view of the progress made by other multilateral creditors, including the African Development Bank, in confirming their participation in the Enhanced HIPC, the Bank's Board approved IDA's commitment to provide debt relief once the African Development Bank had confirmed its participation. Commending the government's commitments and priorities, the Board nonetheless urged it to clarify Ugandan poverty priorities, cost out the poverty reduction strategy to ensure consistency with its macroeconomic framework, refine Uganda's poverty outcome targets, and strengthen institutions for monitoring poverty outcomes.

Tanzania. IDA's commitments surpassed and stayed above US\$200 million all through FY90–94 (figure 2.1). Lending declined sharply during FY95–96, partly because of the reorganization of the Bank's Africa Region and IDA's need to take stock of its strategy and the performance of its portfolio. Although it has been rising since then, it has remained well short of past levels, and gross disbursements and net transfers are well below their 1995 peaks (figure 2.1).

Moreover, figure 2.2 indicates that the disbursement ratio was low throughout FY92–96; it is only since FY97, in response to immense effort, that it has exceeded 20 percent, and in only three of the last nine years has the disbursement performance of the Ugandan portfolio been significantly better than the African average. The Bank's study on aid and reform in Africa has queried the rationale for the FY95–99 drop in funding given Uganda's good policy performance (Devarajan and others 1999). However, Uganda's capacity constraints and "limited progress on improving the efficiency and effectiveness of government spending" argue for a cautious approach to lending increases (Tumusiime-Mutebile 1998).

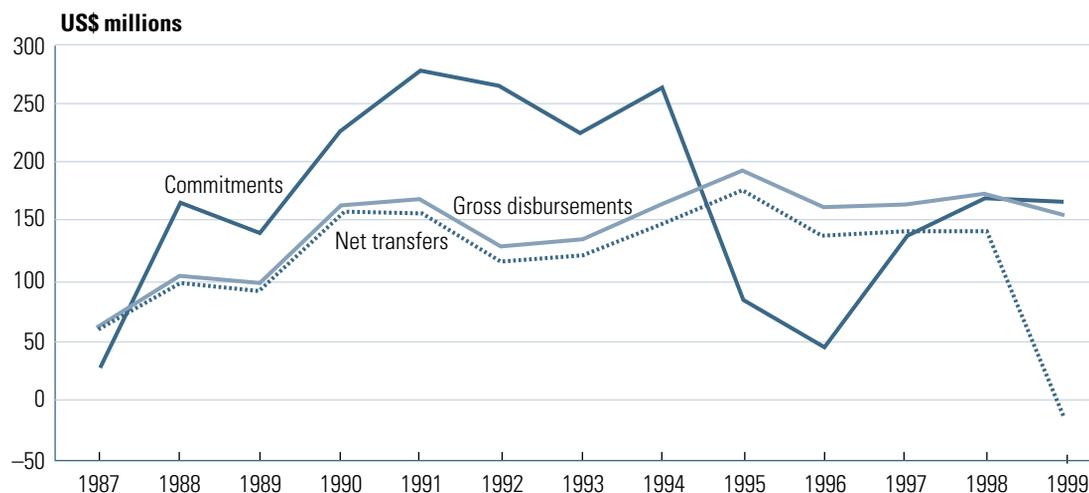
Adjustment claimed about 40 percent of IDA lending in FY87–99. Table 2.1 presents a sectoral disaggregation of lending by subperiods. As the economy stabilized and first-phase market reforms met their goals, IDA began to shift resources from macroeconomic to sectoral support. IDA has financed almost every sector over the years, with agriculture and transportation drawing the largest support (12 percent of total IDA lending).

Poverty reduction has been the overarching goal of IDA's strategy since 1995. An assessment of project objectives suggests that capacity building has also been an important priority (see IDA 1999). As for infrastructure (in support of PSD), its 35 percent share of lending during FY97–99 was a response to the somewhat belated realization that infrastructure bottlenecks could become serious constraints to growth.¹⁰

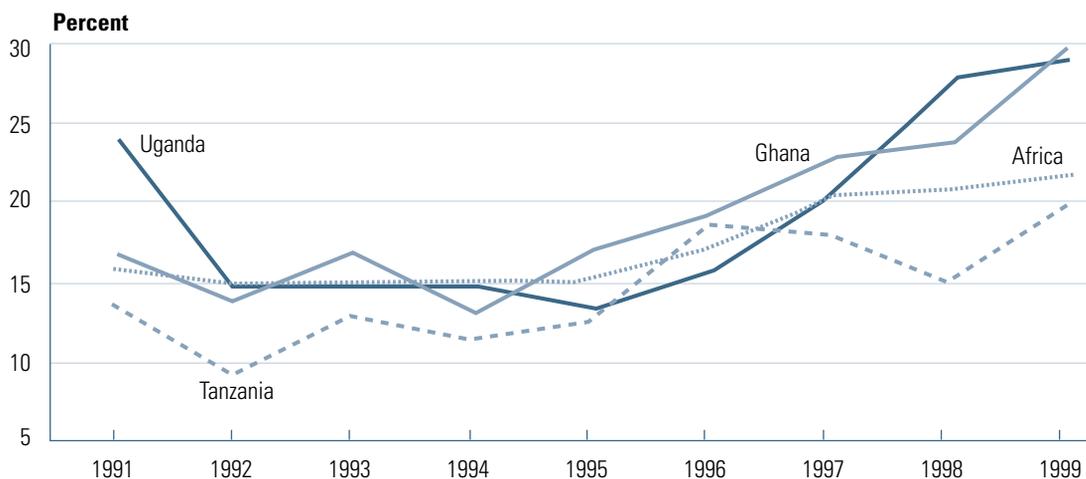
IDA's average lending costs for each task and project in FY88–97 were lower for Uganda than for five comparator countries, and also lower than the averages for Africa and the Bank overall (Annex 1.1, table 1.1.3). Supervision costs per project, however, were higher than for Ghana and Zambia, as well as Africa and Bankwide averages. Both supervision and total costs per project in-

Figure 2.1

IDA's Commitments, Gross Disbursements, and Net Transfers, FY87–99



Source: World Bank Business Warehouse.

Figure 2.2 Disbursement Ratios, FY91–99

Source: World Bank Business Warehouse.

creased in the second half of the period; this is appropriate, given the shift to more demanding sector and investment lending in IDA's portfolio.

With respect to the outcomes, sustainability of benefits, and ID fostered by its portfolio, IDA's lending has been *marginally satisfactory*. OED's evaluation ratings for outcome and institutional development (ID) for the Ugandan portfolio of 21 projects were about as good as the average ratings for Africa, but poorer than for the Bank and for many of the comparator countries (table 2.2). The sustainability of the portfolio's results was rated less likely than for the Bank as a whole, the Africa Region, and the six comparator countries except for Kenya. Table 2.2 indicates that more than three-fifths of total lending to Uganda had satisfactory outcomes, and about a fourth had substantial ID impact and likely sustainability. Most projects with unsatisfactory outcomes had problems of quality at entry: overambitious design, noninvolvement of beneficiaries during design, erroneous judgments of local capacity, and failure to learn from previous experience. Although robust conclusions cannot be drawn from such a small number of projects, the data suggest that projects approved more recently have performed better than older ones. For the 14 projects ap-

proved during FY87–90, only 48 percent by value had satisfactory outcomes, whereas the 7 projects approved since FY91 were generally highly relevant, successful, owned by the borrower, and flexibly supervised by the Bank.

As noted in the table, levels of risk established under self-evaluation for the active portfolio were below the Africa Region and Bank averages when weighted by the number of projects and by their volume. The Ugandan risk ratings were also better than those for Burkina Faso, Ghana, Kenya, and Malawi by number of projects and for Kenya by commitments.

Although the small number of individual projects approved by sector precludes strong conclusions, outcome ratings for the 21 evaluated projects in the Uganda portfolio were better than those for both IDA and the Africa Region in 6 of the 10 rated sectors: education, finance, PSM, telecommunications, transport, and urban development (see table 2.3). ID impact was substantially better than for both IDA and Africa in agriculture, adjustment lending, PSM, and transport. "Likely sustainability" ratings, however, were higher only in finance and telecommunications.

What factors constrain the performance of IDA's Uganda portfolio? A review of IDA's own

Table 2.1 IDA's Commitments by Sector, FY87-99

Sector	FY87-99		FY87-89		FY90-94		FY95-99		FY95-96		FY97-99	
	Amount (US\$ millions)	Share (percent)										
Agriculture	250	12	48	14	176	14	26	4	—	—	26	5
Education	155	7	22	6	53	4	80	14	—	—	80	16
Energy	125	6	—	—	125	10	—	—	—	—	—	—
Environment	37	2	—	—	—	—	37	6	12	11	25	5
Finance	114	5	—	—	101	8	13	2	—	—	13	3
Industry	12	1	—	—	—	—	12	2	12	12	—	—
Multisector	555	26	117	34	313	28	125	21	—	—	125	26
Health, nutrition, and population	200	9	43	13	78	6	79	13	45	43	34	7
Public sector management	176	8	33	10	95	8	49	8	36	35	12	2
Telecommunications	52	2	52	15	—	—	—	—	—	—	—	—
Transportation	249	12	25	7	75	6	58	25	—	—	58	31
Urban districts	122	6	—	—	100	8	22	4	—	—	22	5
Water and sanitation	102	5	—	—	102	8	—	—	—	—	—	—
<i>Total IDA</i>	<i>2,149</i>	<i>100</i>	<i>340</i>	<i>100</i>	<i>1,218</i>	<i>100</i>	<i>592</i>	<i>100</i>	<i>106</i>	<i>100</i>	<i>486</i>	<i>100</i>
<i>Average annual</i>	<i>165</i>		<i>113</i>		<i>244</i>		<i>118</i>		<i>53</i>		<i>162</i>	
Adjustment	835	39	117	34	514	42	205	35	—	—	205	42
Investment	1,314	61	223	66	704	58	387	65	106	100	281	58
Macro	555	26	117	34	313	26	125	21	—	—	125	26
Sector	1,594	74	223	66	904	74	467	79	106	100	361	74

Source: World Bank Integrated Controller's Systems.

supervision ratings and country portfolio performance reviews reveals some recurring patterns. Of the 20 supervised projects reviewed in the 1998 portfolio, 9 lacked counterpart funds; 8 had poor project management, despite the setting up of separate project implementation units; 8 were tied up in procurement problems; 8 had either unsatisfactory or no ratings at all for monitoring; and 4 had difficulties involving financial covenants. Overdue audit reports were common not only for ongoing projects (15 such projects had audits overdue for a modal average of 4 months) but also for closed ones (in 7 that had closed, 16 audit reports were overdue for a modal average of 16 months). Moreover, close to 40 percent of the Ugandan portfolio had "stale" supervision reports (Form 590s had not

been updated within the past six months) just prior to the portfolio review. The turnover of task managers was frequent and disruptive (as attested by borrower counterparts and/or Implementation Completion Reports for projects such as Economic and Financial Management, the Program for the Alleviation of Poverty and Social Costs of Adjustment, Public Enterprise, and Financial Sector Adjustment).

Overall Assessment

The bottom-up evaluation of IDA's assistance yields a clearly satisfactory outcome. Nonlending services performed better than IDA's portfolio. But more recently, even the outcome of IDA's lending has been fully satisfactory. Sustainability remains a concern.

Table 2.2

Evaluation Ratings for Uganda and Eight Comparators, FY87-99

Portfolio rated	OED-evaluated operations						Active operations			
	No of projects	Net commitments (US\$ millions)		Sustainability likely ^a	ID substantial ^a	Net disconnect ^b	No. of projects	Net commitments (US\$ millions)	Portfolio at risk (percent)	
		Outcome satisfactory							Projects	Commitments
Uganda	21	1,073	62/63	24/38	24/25	24	26	1,160	15	17
Africa Region	461	19,237	56/66	29/33	24/27	16	381	14,042	22	21
Bankwide	1,387	121,544	70/79	50/63	34/41	11	1,566	123,057	20	20
Burkina Faso	10	288	90/99	40/38	20/13	0	11	278	18	12
Ghana	36	1,623	69/73	39/52	39/58	9	27	1,138	19	10
Kenya	23	1,218	35/53	13/6	9/5	30	12	514	50	62
Malawi	14	585	57/66	43/69	29/25	43	19	745	16	16
Mozambique	16	932	81/91	44/69	56/64	6	16	861	0	0
Tanzania	12	881	75/71	67/54	50/33	0	22	1,129	9	9

Note: ID = institutional development.

a. Percentage of projects over percentage of net commitments.

b. Net disconnect is the gap between the percentage of satisfactory supervision ratings at exit and the percentage of satisfactory OED outcome ratings.

Source: Data on OED-evaluated operations are from the OED project evaluations database, reflecting project evaluations through January 28, 2000. Data on the riskiness of the active portfolio are from the Quality Assurance Group Web site.

Table 2.3

OED Project Evaluation Findings by Sector for Projects Approved since 1987 (percent)

Sector	Number of projects			Satisfactory outcome			Likely sustainability			Substantial ID impact		
	Uganda	Africa	IDA	Uganda	Africa	IDA	Uganda	Africa	IDA	Uganda	Africa	IDA
Agriculture	5	113	170	40	54	65	40	11	41	40	27	33
Education	1	40	56	100	68	75	0	28	45	0	13	20
Finance	1	20	35	100	50	57	100	25	34	0	40	37
Multisector	4	81	114	50	63	75	25	37	45	25	11	13
Health, nutrition, and population	2	28	37	50	46	65	0	29	43	0	21	19
Public sector management	3	36	52	67	39	60	0	19	38	33	17	27
Telecommunications	1	8	10	100	74	80	100	38	60	0	25	40
Transportation	2	38	62	100	63	73	0	34	52	50	42	45
Urban development	1	19	29	100	68	62	0	26	31	0	26	21
Water supply and sanitation	1	14	22	0	29	45	0	14	27	0	21	36
Total	21	465	691	62	56	66	24	29	40	24	24	29

Note: ID = institutional development.

Source: OED Project Information Form database, March 2000.



THE DEVELOPMENT IMPACT OF IDA'S ASSISTANCE

This section evaluates the International Development Association's (IDA) assistance by assessing the contribution to Uganda's development outcomes. This is done by examining the impact of the assistance in some important thematic areas: macroeconomic reform, poverty reduction and social development; institutional development in the public sector; and private sector development. The overall assessment is the same as in the previous section—that is, IDA's assistance had a satisfactory outcome. The analysis here provides a different angle in viewing the results.

Uganda faced seemingly overwhelming odds in 1986—runaway inflation, huge external deficits, and minuscule international reserves. Its productive base and economic infrastructure were badly damaged; regulation and control stifled private enterprise; the huge public enterprise sector was in shambles; public utilities, industry, and transport networks were dysfunctional or non-existent; banks were insolvent; the Asian entrepreneurial community had fled; and agriculture had retreated into subsistence.

IDA's initial goal in FY87 was to rapidly engineer stability, rehabilitate the economy after the ravages of civil war, and achieve significant growth. Once inflation was curbed in 1993 and the government's commitment to reform was assured, IDA set its sights on the twin objectives of rapid growth and poverty reduction, predicating success on private sector development (PSD) and promotion of efficient public sector institutions.

Macroeconomic Reform

When the government's initial "control regime" failed, IDA stepped in to support its Economic Recovery Program (ERP) with the 1987 First Economic Recovery Credit (ERC I) and 1990 Second Economic Recovery Credit (ERC II). Although the ERCs' main focus was rehabilitation and stabilization, they initiated market-oriented reform along a broad front. The first and second Structural Adjustment Credits (SAC I and SAC II), which followed in 1991 and 1994, continued to focus on stabilization but were largely geared to structural reforms affecting public sector management (PSM) and PSD.¹ Together the four credits were designed to mobilize revenue and protect priority program areas; liberalize prices, foreign exchange, trade, and coffee and cotton marketing; streamline the regulatory system governing investment; return Custodian Board properties confiscated in 1971–79 under President Idi

Figure 3.1

Uganda's Adjustment Timeline, 1991–98

Project name	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Technical Assistance II	Dec 83	■		June 92						
Economic Recovery Credit I	Sep 87	■		June 92						
Technical Assistance III	Aug 88	■					Dec 95			
Economic Recovery Credit II	Feb 90	■			June 93					
Agricultural Sector Adjustment Credit	Dec 90	■					Dec 96			
Structural Adjustment Credit I	Dec 91	■			July 94					
Economic and Financial Management Project		Aug 92	■						June 99	
Financial Sector Adjustment Credit			Mar 93	■			June 97			
Structural Adjustment Credit II				May 94	■		Mar 96			
Institutional Capacity Building Project					June 95	■				Dec 00
Structural Adjustment Credit III							June 97	■		June 99

Source: OED 1999.

Amin; resume relations with external creditors; liberalize interest rates; reform and privatize public enterprises; and pursue civil service reform (CSR). IDA approved a third SAC in 1997 to reinforce stabilization and accelerate growth through reforms affecting government revenues, trade and tax incentives, the management and efficiency of public expenditures, the parafiscal deficits of public enterprises, and the fiscal costs of financial sector reform.

The overall outcome of IDA's macroeconomic reform program was highly satisfactory. The recovery, stabilization, and adjustment objectives of all the adjustment operations were consistent with IDA's Country Assistance Strategy (CAS). Together with the International Monetary Fund's (IMF) ongoing programs, IDA's operations helped Uganda stabilize and bring closure to many reforms that enhanced PSD and PSM.² This was possible partly because IDA sequenced these operations closely with numerous complementary adjustment, investment, and technical assistance (TA) credits to strengthen Ugandan capacity for reform and economic management and to promote similar reform objectives in the agriculture,

financial, and public enterprise sectors (see figure 3.1).³ In addition, IDA's timely organization of donor cofinancing eased fiscal and external adjustment.

IDA had overoptimistic expectations about how long stabilization and adjustment would take. But IDA's staunchness in pushing on with overlapping adjustment credits, even when success was elusive, built credibility and trust. Moreover, IDA's analytical insights and conditionality helped the reformers in government win reluctant government policymakers over to reform (Holmgren and others 1999, pp. 38–39). Thus, the consistency of IDA's objectives and strategy, the design of its interventions, its sustained reform efforts, the sequencing of its supportive operations, and the role of conditionality in strengthening the hand of Ugandan reformers made IDA's macroeconomic program *highly relevant*.

Uganda grew at an average 5.5 percent annually for five years after 1987, and then at 7.1 percent during the next six years. Thus, the size of the economy has about doubled since 1986—a significant achievement in light of the physical and institutional destruction that took place

Table 3.1

Growth and Inflation: Performance of Uganda and Comparators (percent)

Period/indicator	HIAL	Uganda	Burkina Faso	Ghana	Kenya	Malawi	Mozambique	Tanzania
Inflation								
1987–92	27.5	105.6	0.1	21.5	13.9	19.1	64.5	30.1
1993–98	19.6	11.0	7.4	33.7	17.7	33.8	36.6	24.0
Annual real GDP growth								
1987–92	2.4	5.5	2.9	4.7	3.8	2.2	5.7	4.5
1993–98	3.9	7.1	3.6	4.5	2.6	5.9	7.8	3.0
Annual real per capita GDP growth								
1987–92	-0.5	2.8	0.3	1.5	-0.2	-1.1	5.0	1.6
1993–98	0.8	3.9	0.8	1.4	-0.8	2.6	3.4	0.1

Note: HIAL = Higher Impact Adjustment Lending.
Source: OED 1999.

Table 3.2

Structural Change in the Ugandan Economy, 1989–90 and 1998–99

	Percent average annual growth,	Percent share of GDP	
	1989–90 to 1998–99	1989–90	1998–99
Monetary agriculture	5.98	24.30	23.10
Nonmonetary agriculture	2.00	29.60	19.70
Manufacturing	12.74	5.40	9.60
Construction	10.46	5.10	7.30
Trade	8.41	11.00	13.10
Hotels and restaurants	12.10	1.10	1.80
Transport and communication	9.03	4.10	5.20
Total GDP	6.40	100.00	100.00

Source: Holmgren and others 1999.

during the war.⁴ However, GDP per capita has still not caught up to prewar levels: per capita GDP in 1997, 10 years after peace was established, was 84 percent of its level in 1970. Still, by the standards of other countries—the Africa Region’s Higher Impact Adjustment Lending (HIAL) group and the six African comparator countries shown in table 3.1—Uganda’s macroeconomic outcomes are superior (OED 1999). The only country in the comparison group that had higher GDP growth was Mozambique, another post-conflict country. The growth rates of Ugandan per capita GDP were higher than in comparator countries during 1993–98, and higher than the “normative” growth benchmarks set

out in IDA’s adjustment documents and Policy Framework Papers (PFPs) for Uganda.

Growth has been spurred by private investment (now about 12 percent of GDP, compared with 8 percent in FY87–93), and direct foreign investment is currently about 17 percent of private investment. However, the modest overall rate of investment (an average of 17 percent of GDP in the past five years) and the prevailing constraints that hamper private investment raise questions about the sustainability of growth. International reserves, almost nonexistent in 1986, are now equivalent to about five months of imports. Careful macroeconomic management brought down annual inflation from more than

105 percent in 1987–92 to single-digit levels during 1994–98—much lower than in comparator countries except for Burkina Faso (table 3.1 and Annex 1.1, table 1.1.6).

The structure of the economy changed significantly between FY90 and FY99, reflecting the rapid growth of manufacturing and construction and the decline in the relative share of agriculture (see table 3.2). The shares of trade, transportation, communications, and hotel services also grew. The share of monetary agriculture (largely cash crops) dropped only marginally; the decline was largest in nonmonetary subsistence, largely food crop, agriculture, which grew at barely 2 percent yearly. The share of nontraditional items in total exports jumped from 18 percent in FY95 to more than 30 percent by the third quarter of FY99 (for more on the composition of Uganda's exports, see Annex 1.1, table 1.1.7). But the ratio of exports to GDP—at about 10 percent—suggests that Uganda has not yet fully benefited from its increased openness. Infrastructure and customs bottlenecks (in Kenyan, Tanzanian, and Ugandan ports) are part of the cause.

Government revenues, which rose from about 5.5 percent in FY87–89 to about 11 percent in FY96, leveled out for the next two years, but rose after that. Expenditures have been contained at about 18 percent of GDP. The government deficit before grants fell to about 6 percent of GDP in FY98, and the deficit with grants is now less than 1 percent (figure 3.2a). Domestic bank financing has been negative for several years. The current account deficit with grants is about 2 percent of GDP. Foreign exchange reserves are equivalent to about five months of imports (figure 3.2b).

The past reforms and the achievements thus far are likely to be sustainable. However, the continuance of high rates of growth is uncertain for several reasons. First, the commitment to future reform—essential for growth—needs to extend beyond the president and his team of reformers to encompass Parliament, the bureaucracy, the professional elite, and civil society, elements of which are still not market-friendly. Second, the continuing disturbances in northern Uganda, the government's entanglements in the disputes of neighboring countries, and its inability to keep a lid on military expenditures may be an enor-

mous drag on growth. Third, it is questionable whether the civil service and government institutions will adapt quickly enough to the fiscal and administrative changes implied by decentralization to handle the huge demands for the physical and social infrastructure that are critical if the private sector's growth momentum is to be maintained, particularly outside Kampala. Fourth, agriculture has to be the next great frontier of Uganda's development; therefore, the proposed agricultural modernization plan faces the great challenge of effecting commercialization on the scale needed to transform the small-scale food sector, which involves 85 percent of Uganda's population in some way. Fifth, it is unclear whether improvements in Uganda's regulatory framework, regional trade facilities and economic diplomacy, and physical and institutional infrastructure are proceeding fast enough to overcome the constraints of Uganda's landlocked status and the high transport and transaction costs that deter nontraditional exports from becoming the private sector's engine of growth. Finally, there is the worrisome matter of corruption, which is pervasive across the public sector and could dampen Uganda's investment climate.

Poverty Reduction, Gender, and Social Development

Until 1993, IDA prepared almost no economic and sector work (ESW) on poverty or social issues. Then, a poverty assessment was issued in the form of a 1993 Country Economic Memorandum (CEM), setting out a possible agenda for "growing out of poverty."⁵ From then on, IDA prepared several studies, on agriculture (1993), social sector strategy, AIDS, and health and education access, which explored the dimensions of poverty, social service delivery systems, and how the rural sector and food crop farming determine poverty (see Annex 1.1, table 1.1.2). IDA also prepared a tracking study of health and education expenditures, and it supported poverty monitoring. But, it was only after the 1995 CEM (*The Challenge of Growth and Poverty Reduction*) and the subsequent Consultative Group (CG)—at which the Netherlands proffered strong support for work on poverty—that IDA and the Government of Uganda (GOU) focused on poverty

Figure 3.2a Government Deficit, FY87-98

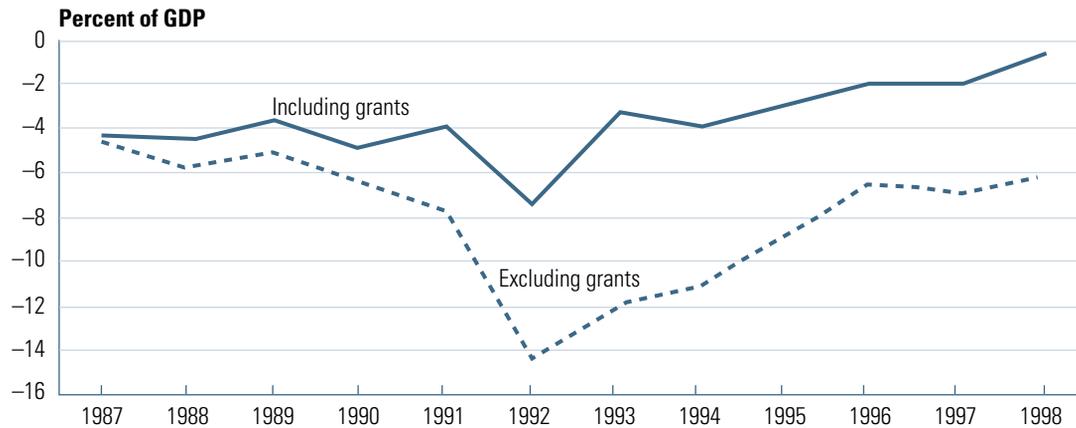
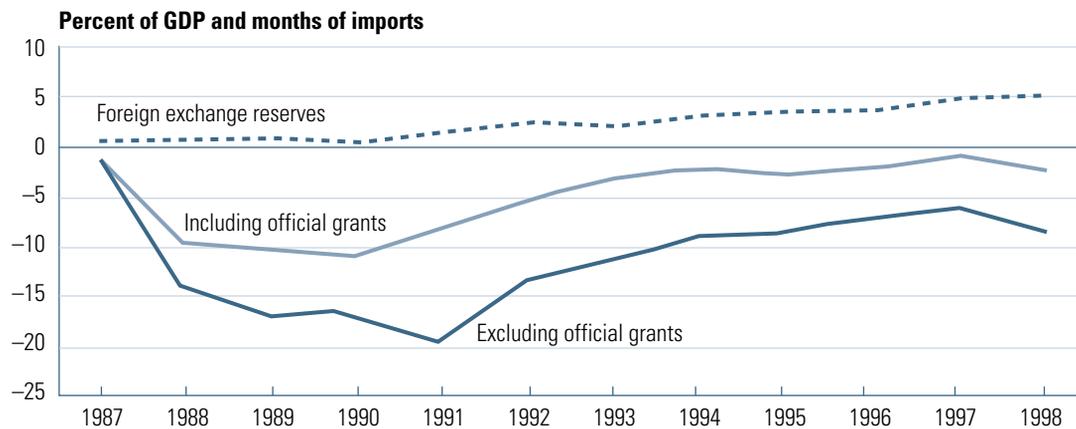


Figure 3.2b Current Account Balance and Foreign Exchange Reserves, FY87-98



Source: Sharer and others, 1995; International Monetary Fund.

reduction as a major development theme, and only in 1997 did IDA pioneer the participatory poverty assessment that fed into the CAS and identified poverty reduction as its central goal.

IDA's first three adjustment operations focused indirectly on poverty by emphasizing inflation control, producer price increases, imports of inputs and consumer essentials, and expenditure allocations to basic services. Moreover, the First Structural Adjustment Credit (SAC I) and the Agricultural Sector Adjustment Credit (1990) proved to be

potent poverty eradication instruments because their coffee and cotton marketing reforms raised the incomes of poor farmers (van Holst Pellekaan 1999). The Program for the Alleviation of Poverty and Social Costs Adjustment (PAPSCA), the Northern Uganda Reconstruction Project (NURP), and Education IV (which financed primary school textbooks) were the only projects that had explicit poverty reduction objectives.

After the 1993 CEM and 1995 CAS, lending focused more closely on poverty. The FY94 Dis-

tract Health Services Project sought to increase primary health care coverage, the FY95 Sexually Transmitted Infections Project targeted populations at high risk for HIV, and the FY98 Nutrition and Early Childhood Development Project aimed to reduce stunting and improve preschool nutrition, primary school readiness, and the incomes of poor parents (Cederlof n.d.). The FY94 Primary Education Teachers Development Project, which aimed to rehabilitate education facilities and train teachers, was overtaken by the FY98 Education Sector Adjustment Credit that squarely addressed universal primary education and the education needs of the poor. Projects in agriculture (extension, research, and training), water and sanitation, and transportation approved during and after FY93 also improved the lives of poor farmers and communities.⁶ Since the 1997 Highly Indebted Poor Countries (HIPC) Initiative, substantial IDA debt relief has also supported the Poverty Action Fund's (PAF) poverty objectives.

Informed by a 1991 Women in Development assessment paper, the 1993 CEM and the 1995 and 1997 CASs flagged the importance of integrating gender concerns into the IDA portfolio. An IDA paper on legal constraints facing women—a follow-up to a 1998 regional initiative, *Gender and Law: Eastern Africa Speaks* (Gopal and Salim 1998)—led IDA to approve an Institutional Development Fund grant to assist Uganda's minister of gender to develop and implement a training program on gender awareness for district councilors. The 1995 CAS called for a selective gender strategy of legislative reform, investments in health and education, and actions targeted to agriculture and AIDS. The 1997 CAS included integrating gender concerns into the Poverty Eradication Action Plan (PEAP), education, health, and agriculture. Almost all IDA projects approved during FY92–FY98 for agricultural extension and research and training, small town water supply, and health and education incorporated a gender focus.⁷

However, the neglect of population and reproductive health issues in a country with a poor record of girls' education and high rates of population growth, fertility, and maternal mortality is a striking gap (World Bank 2000).

In education, IDA's relevance increased over time. Education IV and the Primary Education Teacher Development Projects laid the groundwork for universal primary education. While this was IDA's goal from the start, it had misgivings about the financial feasibility of universal primary education, the leadership's willingness to cut higher education subsidies, and the political costs of reallocating resources from tertiary to primary education. Therefore, IDA advocated cost recovery and resource shifts at the margin to primary education (Ransom 1999). When universal primary education was adopted in 1977, IDA provided core budget support through the Education Sector Adjustment Credit, which earned it a "seat at the table" for dialogue with the GOU (although at some cost to its relationships with other donors, particularly the United Kingdom's Department for International Development).⁸ Recognition of the timeliness of IDA's intervention has gone some way to restoring donor coordination in the sector.

IDA's lending had some shortcomings in addressing the problems of poor subsistence farmers, and it has not yet succeeded in persuading government to follow through expeditiously on NURP to address the problems of the country's poor northern and eastern regions.⁹ IDA did not succeed in influencing the PEAP to mainstream gender across sectors, although the PEAP has focused rightly on girls' enrollment, enhancement of women's productivity, and women's legal and customary powers. In IDA's own lending, ad hoc interventions and inattention to gender during supervision suggest that its overall relevance in IDA's project components was low (gender issues were addressed in only 3 of 20 Form 590s prepared in FY98). However, it is likely that universal primary education (and IDA's support) will prove to be the best gender leveler.

IDA's ESW helped the government and IDA to put poverty reduction and social development at the center of their country strategies. IDA's support helped the Ministry of Finance, Planning, and Economic Development (MFPED) raise public sector expenditures on program priority areas, health, and education. By documenting service performance and expenditure leakages, IDA

strengthened the MFPED's ability to protect social expenditures and helped the government, civil society, and its own team to recognize the importance of service delivery and governance for poverty reduction. The leakages also help explain why Uganda's social indicators have not kept pace with growth.¹⁰ IDA also demonstrated the power of participation and fostered debate that makes Uganda one of IDA's best-prepared clients in developing a Poverty Reduction Strategy Paper acceptable to the GOU, the IMF, and IDA. Moreover, IDA reinforced the government's commitment to decentralization and sectorwide strategies to ensure countrywide norms and access to social services.

Absolute poverty in Uganda declined by 21 percent during FY92–98 (by headcount; table 3.3). The depth and severity of poverty declined as well. Poverty also lessened in both rural and urban areas, all regions of the country, and among farmers of both cash and food crops. Coffee marketing liberalization allowed farmers to retain as much as 65 to 80 percent of export proceeds, compared with 30 percent before the reform. Liberalization thus gave coffee farmers additional coffee export revenues of about US\$96 million, or US\$19 per capita annually (in FY97 prices) during FY91–97, compared with a counterfactual situation of no reform (van Holst Pellekaan 1999). Since even the poorest farmers in Uganda produce some coffee, the reforms IDA promoted were perhaps the most relevant and strategic for reducing poverty in the country.

Although rural poverty decreased, almost 50 percent of Uganda's rural population remain poor, and this population now accounts for 95 percent (headcount measure) of the poor in Uganda. Poverty among food crop farmers has barely declined, and disparities between food and cash crop farmers have widened by about 15 percentage points. Moreover, disparities in poverty between the central region and the west, north, and east regions have deepened along all measures of poverty (table 3.3).¹¹

Figure 3.3 and Annex 1.1, table 1.1.8, compare Uganda's social progress with that of six other African countries in 1996. In infant mortality, Uganda ranked squarely in the middle after Ghana, Kenya, and Tanzania. However, the coun-

try made the greatest gains in immunization rates for diphtheria and measles during 1986–95. Uganda has also progressed in education. It raised its rank in gross primary enrollments from sixth among the seven countries in 1980 to fourth by 1995, even before universal primary education was introduced. Uganda also made great strides in overcoming illiteracy. But it ranked lowest on life expectancy and the death rate.

Despite significant change, women are still way behind men in social progress, particularly in adult literacy and gross primary enrollment (figure 3.4). With location—both regional and rural and urban—a significant determining factor, the 50 percent illiteracy rate among women was almost double the 26 percent rate for men.¹² The gross secondary enrollment rate was only 9 percent for girls in 1990, compared with 15 percent for boys. While these data are out of date, the base levels are so low that even with significant improvement they would have been unlikely to have reached acceptable levels by now. However, gender differences in health indicators either favored women, despite the higher prevalence of HIV/AIDS, or were less stark or absent, as in the case of life expectancy at birth. Overall, 67 percent of households headed by women (which constitute 25 percent of the total number of Ugandan households) were below the poverty line in FY95. Lower literacy rates and the force of custom and tradition prevent women from taking advantage of economic opportunities such as credit, training, and technology, particularly in the food sector, where women are responsible for the bulk of production.

Whether *poverty reduction and social progress will continue at the same pace* is uncertain. First, at around -1.26 , the poverty reduction elasticity of growth has been lower than in Ghana (-1.73 percent) (Appleton 1999). Much higher or more broadly based growth is required for a more rapid decline in poverty. Second, while much of the past reduction in poverty has been traced to the liberalization of agricultural marketing, no quick reforms with comparable potential for poverty reduction appear to be at hand. While the plan for agricultural modernization holds promise, it will hinge critically on the ability of the agricultural sector, particularly the food sec-

Table 3.3 Uganda's Poverty Rates, 1992–98
(percent)

	Head count		Poverty shares	
	1992	1997–98	1992	1995–96
National	55.5	44.0	100.0	100.0
Rural	59.4	48.2	93.7	95.1
Urban	28.2	16.3	6.3	4.9
Regional				
Central	45.5	27.7	25.1	18.9
West	52.8	42.0	23.0	23.8
East	59.2	54.3	29.7	35.2
North	71.3	58.8	22.2	22.1
Sector of household head				
Food crop	63.7	62.2 ^a	54.1	56.6
Cash crop	60.1	43.7 ^a	25.3	24.1
Other (national)				
Depth of poverty	20.4	13.7	–	–
Severity of poverty	9.9	5.9	–	–
Disparities (in percentage points)				
Rural-urban	31.2	31.9		
Regional (relative to central)				
West	7.3	14.3		
East	13.7	26.6		
North	25.8	31.1		
By Crop				
Food-cash	3.6	18.5		

a. Data are for 1995–96.
Source: Appleton 1999.

tor, to adapt through diversification, technological advance, and commercialization to rapidly changing markets, requiring arduous effort on a large number of fronts. While the consensus building process will undoubtedly have a large pay-off in the future, the excruciatingly slow evolution of the modernization plan may be symptomatic of the future pace of progress in an area where stakeholder groups are so numerous and diverse.¹³ Fourth, the country's political and military objectives may jeopardize the PEAP. Fifth, the lack of depth in financial markets reduces the scope of short-term monetary policy in smoothing out the impact of external and internal shocks (such as coffee booms, sudden influxes of private capital, domestic revenue shortfalls, and fluctuations in aid flows); gov-

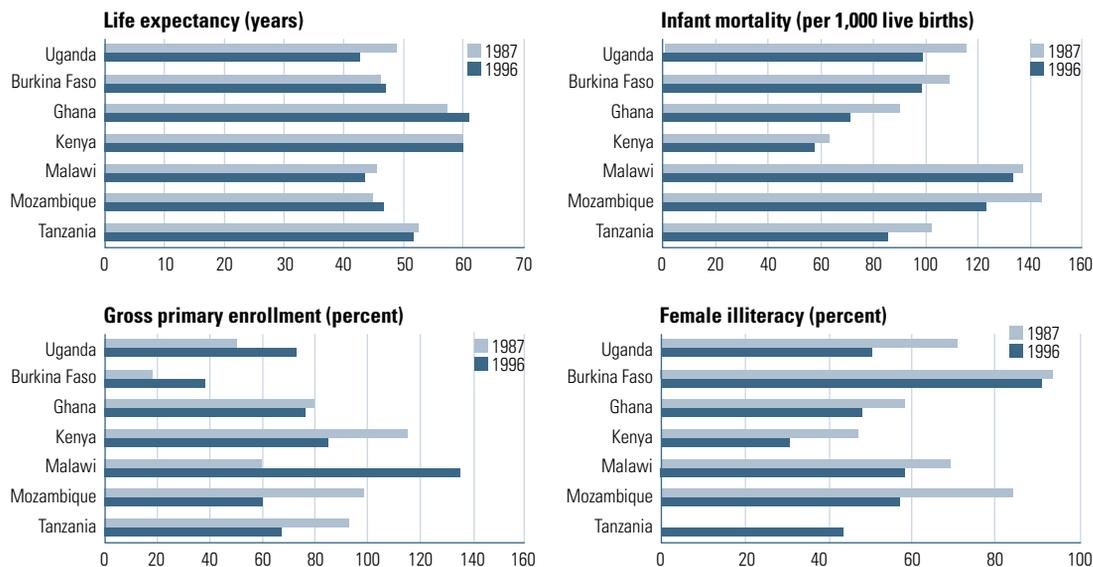
ernment has to rely on heavy-handed fiscal corrections (expenditure and cash management) to keep inflation control strategy on track.¹⁴ If the past is prologue, the social sectors are at highest risk of being losers when outturns have to contract relative to budget allocations. Finally, slow progress in PSD, diversification of the economy, and governance; continuing leakages in social expenditures, which imply slow improvement in the human resource base; and inadequate attention to population issues continue to pose major obstacles to poverty reduction.

Institutional Development Outcomes in the Public Sector

To enhance institutional development (ID) in Uganda, IDA focused on the budget framework,

Figure 3.3

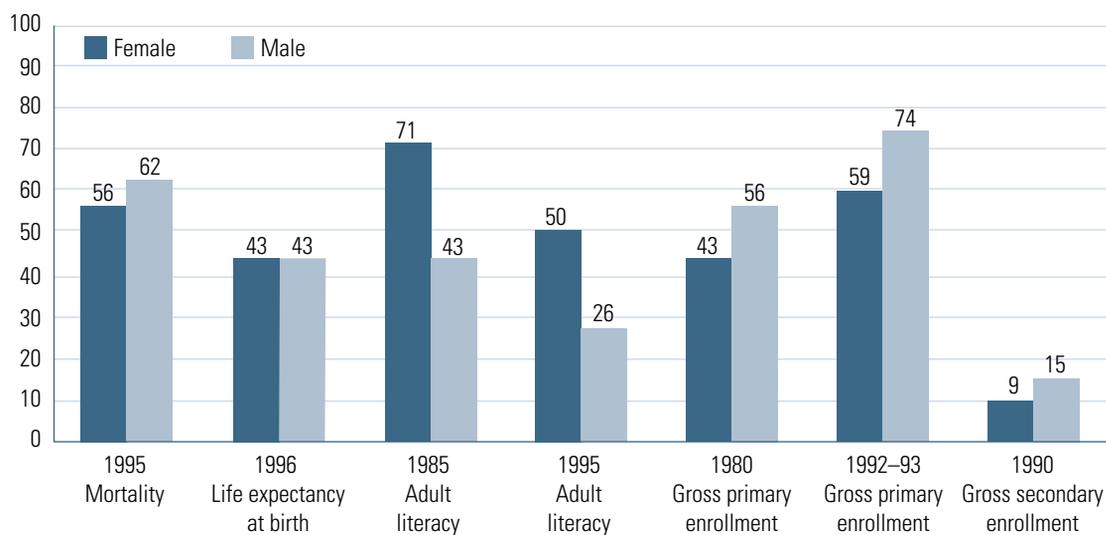
Uganda's Progress in
Four Social Indicators, 1987 and 1996



Source: World Bank 1997, 1998.

Figure 3.4

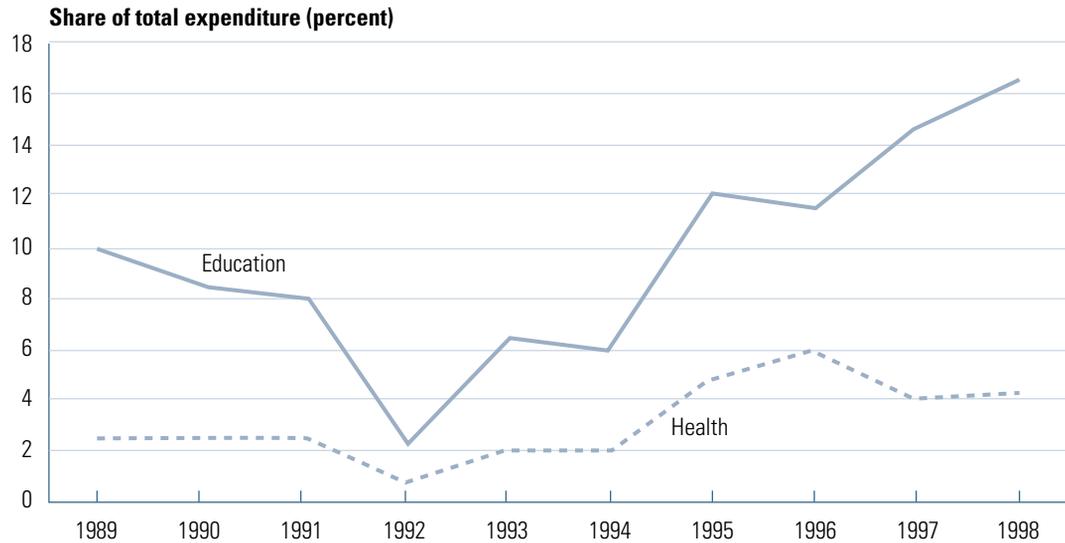
Gender Gap Indicators in Uganda



Source: World Bank 1997, 1998.

Figure 3.5

Evolution of Health and Education Expenditures, FY89–98



Source: International Monetary Fund data.

capacity building, CSR, decentralization, and governance. (IDA's promotion of private sector institutions is discussed in the PSD section.)

The Budget Framework

IDA's involvement in PSM began in FY92–93. Successive Public Expenditure Reviews (PERs) began to focus on identifying expenditure priorities and transforming Uganda's fairly closed budget process, managed by technocrats, into a more open, consultative exercise. The 1993 PER proposed the preparation of an annual expenditure issues paper and a comprehensive Medium-Term Expenditure Framework to lay out objectives, strategies, expenditure priorities, and proposed budget allocations. Over time, the IDA PER itself evolved into a process: rather than prepare a formal report for government and donors, the FY98 PER provided support to government for pushing on with reform of the budget process.

IDA was instrumental in "[remarkably transforming] the budget structure in favor of the social sectors and the [priority program areas] PPAs" (figure 3.5).¹⁵ The IDA-coordinated donor review of budget priorities effectively certified that

Ugandan public expenditures were being incurred for purposes that the country's major financiers could support (Moon 1997). Moreover, IDA's support for opening the budget up to district administrators, Parliament, and nongovernmental organizations (NGOs) helped the MFPED realize that stakeholders armed with better budget information could become its allies in deterring ministerial deviations from budget commitments.¹⁶ In this spirit, the MFPED has also instituted quarterly PAF meetings, attended by line ministries, donors, and the media, to report on PAF releases and the districts' use of funds. Thus, by helping to incorporate a medium-term focus into the budget, prioritize expenditures, give line ministries a sense of "buy-in," open up the budget to major stakeholders, and enhance accountability, IDA's support for budget reform clearly anticipated the Bank's Comprehensive Development Framework (CDF).

There is still a way to go in better budget implementation; clarifying sector objectives; linking resource allocations, sector output, and outcome goals; and integrating recurrent and development expenditure plans and donor and local fi-

nance (Tumusiime-Mutebile 1998). A glaring gap is the absence of reliance on (and associated mechanisms and responsibilities for) monitoring and evaluation as an input to government resource allocation decisions, learning within line ministries, accountability within government, and donor assessments of the success of their development efforts. Nevertheless, IDA's performance in budget reform has been *highly satisfactory*.

Capacity Building

When the war ended, IDA realized that if the GOU's ERP was to be implemented effectively, it had to help restore government's economic and financial management capacity and the quality of the civil service and encourage skilled Ugandans to rejoin the government. IDA deployed three TA credits—TA III (FY88), the Economic and Financial Management Project (EFMP, FY93), the Institutional Capacity Building Project (ICBP, FY95)—as well as SAC III.¹⁷ IDA also used EFMP, ICBP, and SAC III to support decentralization by promoting new organizational structures, expenditure management, training, and accountability and transparency in budget transfers to local governments. The Institutional Capacity Building Program (ICBP) also supported CSR, efficient service delivery, legal sector reform, development of the accountancy profession, and training for the private sector. IDA complemented these efforts with capacity building components in numerous investment projects, which also aimed to improve service delivery.¹⁸

The TA objectives were very relevant in addressing Uganda's binding constraints—management, accounting, data, and systems. They were also consistent with the government's reform initiatives—CSR, decentralization of service delivery, and improved economic and financial management. Similarities in their objectives, instruments, timing overlaps, and links to IDA's adjustment operations ensured continuity, and their mixture of “process” and “blueprint” made them responsive to Uganda's evolving needs. However, all the projects were flawed. The TA projects were unduly complex, demanding, and unwieldy. None were anchored in an explicit institutional development strategy.¹⁹ Most projects, including the capacity building investment project components,

suffered from poor sequencing, with either CSR or decentralization. The CSR's staff retrenchments, vacancy freezes, and inadequate pay meant that the right staff were not available for capacity building, and administrative and information systems (revamped by the Economic and Financial Management Project, EFMP) did not address the fundamental changes in central and local responsibilities that accompanied decentralization. These sequencing flaws were exacerbated by IDA's initial failure to convince the GOU of the need to coordinate the CSR, decentralization, and expenditure management reforms. Poor coordination resulted in poor implementation of the EFMP's central budget, financial management, and cash management measures.

Despite evidence on TA misuse, IDA spent more funds on expatriate consultants than on training. Training itself had no coherent underlying strategy. In a practice that is pervasive across the IDA portfolio, government managers used training allowances to compensate staff for poor salaries. Thus, pay reform remains the Achilles' heel of IDA's capacity building efforts. Moreover, IDA's attempts to build line ministry capacity have been fairly ad hoc, line ministries remain weak, and most still find it difficult to devise sectorwide reform and investment strategies that IDA and the donors can support. Despite these design flaws, both TA III and EFMP's development outcomes have been satisfactory, largely because of the MFPED's commitment to its development objectives.²⁰ ICBP is still under way. Overall, IDA's capacity building efforts have been only *modestly satisfactory*.

Civil Service Reform

The GOU and IDA realized early that the civil service suffered from excessive centralization, bloated size, inadequate pay and benefits, a compressed salary structure, and nontransparent cash benefits (Langseth and others 1995). Initially, the fiscal and efficiency needs of its adjustment programs induced IDA (in ERC II, TA III, and SAC I) to focus on reducing civil service numbers and restructuring government ministries. IDA also financed (under EFMP) a chief technical adviser to the Ministry of Public Service.²¹ During 1993–95, SAC II added wage reform and monetization of non-

cash benefits to downsizing, while ICBP focused on salary structures to improve incentives; rules and regulations to improve the transparency of personnel administration; and results-oriented management, a baseline service delivery survey, and facilities and records management to improve the effectiveness of the civil service.²² IDA's CSR interventions in this early period were therefore clearly relevant. Although SAC III in 1997 called for output-oriented budgeting, CSR dropped out of IDA's strategy statements for two years, as decentralization and universal primary education intervened, but it reappeared in the 1998–99 PFPs. As ministry roles changed with decentralization and the numbers of unregistered teachers mounted with universal primary education, emphasis shifted back to ministerial restructuring, staff cuts, and personnel management.

Progress on implementing the government's CSR program began in FY93 when the chief technical adviser was appointed to the Ministry of Public Service.²³ Successive restructuring and downsizing rounds reduced ministries by a third and civil service numbers by more than half (to 123,000 by December 1995). Concomitant demobilization downsized the military by 40 percent. But poor synchronization with decentralization led to yet another round of job evaluations and ministerial restructuring. The employment freeze was flouted under the guise of restructuring, civil service numbers crept up, and wage arrears grew, undermining budget management. Payroll monitoring has therefore not yet been effective.²⁴

To improve wage transparency, boost wages (with savings from asset sales and retrenchment), and decompress the wage structure, the government, in line with IDA's suggestion, monetized benefits, increased wages across the board, and adopted living wage targets for each civil service grade.²⁵ Wages are now close to the living wage for the lowest-paid civil servants but are well short of targets for mid-level and senior managers. Mid-level management remains demoralized. Recent interviews at the Ministry of Public Service suggest that pay reform is not a political priority, and the living wage concept may be quietly dropped. Pay reform, however, remains a critical prerequisite for IDA's objectives for service

delivery, capacity building, and governance.

Although output-oriented budgeting is being implemented under the budget exercise, the ministry indicated that results-oriented management is unlikely until managers have power to hire and fire workers, set salaries, and monitor outputs. Such progress is a long way off. Overall, CSR has been slow, interrupted, and poorly sequenced with decentralization and capacity building. Much more downsizing and restructuring are needed, and IDA needs to focus on pay reform and efficiency. Thus, IDA's CSR outcomes have been only *partially satisfactory*.

Decentralization

Although IDA prepared a "District Management Study" (1992)—which was discussed at a national workshop just before the GOU's 1993 formal decision to decentralize, has promoted capacity building for decentralization since 1992, and helped the government draft the Local Government Act of 1997—its approach has essentially been indirect.²⁶ It has focused as much on capacity building for decentralization as on local service delivery. IDA's EFMP, ICBP, and SAC III aimed to improve district budgeting, financial management, and accountability.²⁷ In addition, several IDA investment projects on infrastructure and social sectors provided support for building capacities for planning, management, budgeting, accountability, and service delivery at the district and facility levels. IDA also trained local communities and NGOs to perform a variety of service functions and mobilize resources.

It was only in December 1999, more than two years after the 1997 act, that IDA focused on service delivery and approved its own Local Government Development Program (LGDP). The LGDP, which builds on IDA's piloting experience with the Kampala City Council, plans to strengthen central institutions responsible for decentralization and fund local governments to test the feasibility of alternative service delivery mechanisms, decentralized service delivery, and devolution of the development budget. LGDP's ultimate aim is to monitor and evaluate project implementation to pick out good strategies and implementation modes for scaling up the program to the national level.

The budgetary, expenditure, and financial management reforms promoted by EFMP, ICBP, and SAC III are all mutually consistent, coherent, and relevant to IDA and government strategy. But they address the prerequisites for successful decentralization and stop short of the actual functions and mechanisms of decentralized service delivery. After lengthy indecision about strategy and three years of piloting (with the assistance of the United Nations Capital Development Fund), IDA is now confronting those tasks—and its own need to learn by doing—through the LGDP, a good six years after the government formally adopted decentralization.

IDA's individual social and infrastructure investment projects that promote decentralization (evaluated in IDA 1999) are also tackling decentralized service delivery in a scattered way (Uganda Manufacturers' Association Consultancy and Information Services Limited 1998). It is not clear whether their primary objective is to provide service or to develop district organizations and systems. Moreover, despite formal service delivery mandates to districts, IDA's resources are largely spent at the central rather than the local level. Nevertheless, IDA's provision of technical support, training, information, and financial assistance to communities and NGOs has empowered them to improve water, health, agricultural, and roads services; demonstrated the feasibility of adopting a demand-responsive approach to service delivery; and promoted self-reliance through community contributions and user charges. Such community empowerment for service delivery functions—particularly valuable at this early stage when district and subcounty civil society and consumer organizations have not yet matured—can provide signal lessons for IDA in implementing LGDP. Thus, although it is too early to assess IDA's support for decentralization, and its overall achievements in supporting decentralization to date have been *modest*, it has made a good beginning.

Governance

IDA's approach to improving governance has been exclusively indirect. It supported improvements in the transparency and accountability of budget processes (PERs), the capacity of the auditor general's office (EFMP, FY92),

and—through the ICBP—in personnel management of the civil service, the legal system, and the accountancy profession. Since ICBP is ongoing, it is not possible to assess its outcomes.

A more visible profile on governance was taken by the Economic Development Institute (EDI, now the World Bank Institute), and through a joint EDI-Transparency International mission (1994) launched at the invitation of Uganda's Inspector General of Government (IGG) to review the government's anticorruption campaign. A series of IGG-EDI workshops on national integrity (including one for members of Parliament), investigative journalism, court administration reform, and local integrity systems and a November 1995 service delivery survey induced government, Parliament, and civil society to recognize the need for a comprehensive national integrity system to heighten public awareness, improve enforcement, reform institutions, and increase transparency and accountability in public administration. These objectives have gained significant visibility in Kampala and have improved the Bank's image.

On balance, however, it appears that IDA has not yet identified effective instruments for intervention on governance. Perhaps IDA's most effective intervention has been the multidisciplinary mission launched in October 1998 to review the government's anticorruption strategy. The mission was a response to significant donor and civil society concern about widespread and increasing corruption in government and the use of donor funds. It confirmed that corruption prevailed in a very wide range of government activities.²⁸ The report was presented at the CG. The GOU immediately set up a Department of Ethics and Integrity within the Office of the President to implement, within six months, all recommendations of the Public Accounts Committee, the auditor general, and the IGG on corruption. Nevertheless, donors still believe that IDA dragged its feet in responding to donors and civil society on governance. Governance is thus an area where IDA is *not yet a forceful player*.

Overview of Outcomes in Institutional Development

IDA has been only marginally successful in developing institutions. It has had signal success in

reforming budget processes and building core agency capacity (particularly in the MFPED). TA III and EFMP have helped downsize the civil service and restructure ministries. IDA has also doggedly pursued the procedural, budgetary, and expenditure management reforms needed for successful decentralization. There is also no doubt that it has raised civil society's awareness of corruption. But its more recent efforts to build capacity, improve civil service efficiency, shore up service delivery under decentralization, and build systems of governance have been either too tentative and piecemeal or too recent to permit assessment. This is understandable: the ID reforms that IDA has been grappling with—economic and financial management, capacity building, CSR, decentralization, and now governance—are entirely too complex and interlinked for answers to be readily available. IDA has had to learn by doing. Thus it was only around 1997 that it began to grasp the nature of the second-generation reforms needed in these areas. The range of IDA's activities suggests that it may be overstretched. It might be more effective if, in the CDF spirit, IDA were to determine jointly with government and other donors which ID areas and tasks (advisory services or lending) are in line with its comparative advantages.

Private Sector Development

IDA's PSD program aimed to improve the policy environment through macroeconomic stabilization and structural adjustment; upgrade the business infrastructure through law reform, public enterprise restructuring and privatization, financial sector reform, and rehabilitation of the physical infrastructure; and build private sector capacity and institutions. The International Finance Corporation (IFC), Foreign Investment Advisory Service, and Multilateral Guarantee Agency supplemented IDA's support for PSD by promoting local entrepreneurship, fostering direct foreign investment, building financial sector institutions, and strengthening the business sector environment and private sector capacity (see Annex 1.4). Since the macroeconomic policy reforms that affected private sector growth have been discussed, this section focuses on IDA's efforts to reform the public enterprise and

financial sectors and zeroes in on IDA's involvement in the power sector as an illustration of its efforts to rehabilitate key infrastructure (Annex 1.4 describes the IFC's efforts in telecommunications). IDA's attempts to build private sector capacity and institutions—by improving the know-how of Ugandan firms, funding an equity facility, providing promotional services through the Uganda Investment Authority, and setting up the Private Sector Foundation to engage in policy dialogue with the government—are ongoing.

Privatization and Public Enterprise Reform

IDA realized that to achieve fiscal discipline and a substantial supply response from the large public enterprise sector, which absorbed enormous budget transfers, the government either had to reduce subsidies by upgrading the efficiency of public enterprises or transfer them to the private sector. Since public enterprise reform was likely to be prolonged, IDA approved two related and overlapping projects—a Public Enterprise Project in 1988 and an Enterprise Development Project in 1991—to reform public enterprise sector policy and its legislative framework; strengthen the sector's administration and management; and rehabilitate, divest, and liquidate enterprises. Rehabilitation was considered essential because the GOU was a large employer, huge retrenchment costs were anticipated, and government wished to retain ownership of most large and medium-size public enterprises. The Enterprise Development Project, which built on several private sector assessments, also provided support for private sector term lending, technology, and management, as well as TA for key government agencies and public enterprises. SAC III measures for subsidy reduction supplemented the two projects.

Although the projects' objectives of reducing losses and subsidies were highly relevant, their assumption that public enterprise reform would be more cost-effective than divestiture can be questioned: over the long run, rehabilitation merely prolonged enterprise losses. The Enterprise Development Project's original design was unwieldy, and the two projects initially set up a highly complex institutional structure, which

later had to be streamlined.²⁹ Lulled by the political will to privatize that existed at the highest levels, neither of the two projects assessed the extent of vested interests against privatization, although a number of workshops were held for members of Parliament (to discuss the proposed divestiture statute), opinion leaders, and civil society. In late 1998 IDA organized a Parliamentary Workshop to explain privatization objectives and benefits. Further, the Public Enterprise Project did not provide macroeconomic, sectoral, or other strategic criteria for selecting specific public enterprises from among those slated for restructuring or divestiture, nor did it provide any technical guidelines for privatization and restructuring. Consequently, privatization proceeded slowly, case by case. The *relevance of the two projects was therefore modest*, but it improved when a critical 1994 study helped restructure the projects' objectives (World Bank 1994).

IDA achieved its institution building goals when the Public Enterprise Reform and Divestiture (PERD) statute was enacted and subsequently streamlined in December 1999. But divestiture was pitifully slow in the first five years, and annual subsidies (almost all indirect and nontransparent) were still as high as 4.5 percent of GDP in 1994.³⁰ The program was "put on hold" three times. In 1993, the government interrupted the program to ensure that a proper legislative framework was in place. The second interruption occurred in December 1994 when an IDA review identified evidence of political interference, stalling, and nontransparency.³¹ At the president's behest, the program was reorganized to focus on reclassification and divestiture of public enterprises, emphasizing a divestiture target of 85 percent for reclassified public enterprises, speed, transparency, objectivity, and bid price in tendering. Then, in August 1998, following public clamor for a review of privatization transactions, a Parliamentary resolution deferred divestiture of new enterprises not in the action plan while Parliament investigated the program and key transactions.

The Parliamentary Review Committee essentially confirmed what successive IDA missions had identified: continued political interference,

concern among key stakeholders (Parliament, potential investors, and government officials) about transparency, asset stripping of enterprises in the pipeline, irregular use of divestiture proceeds, and inattention to the economic impact of divestiture and the need to broaden ownership. While the Committee found no evidence of misuse of project funds, it also found evidence of fraudulent transactions—*noted by the Bank of Uganda only in mid-1999*—involving the purchase of a major public enterprise, the Uganda Commercial Bank.

The program has since been reorganized with IDA's assistance. The PERD statute has been amended to clarify the responsibility of the MFPEP for the privatization program, the role of the minister of state for privatization for leading the program, and the role of the project monitoring unit for monitoring the financial operations of public enterprises remaining in government hands. The program now aims to re-establish the credibility of the process by focusing on a few transactions at a time, including those in the utilities and infrastructure sectors, and maintaining transparency by following the project's new manual of procedures, which was recognized by the PERD statute and launched in May 1999. The Enterprise Development Project staff has also been downsized and reorganized. Overall, by 2000, the project had achieved many of its original objectives: privatization has been initiated or advanced considerably in three major infrastructure sectors—telecommunications, power, and the railways—subsidies have been reduced; more than 90 enterprises have been privatized; production and tax contributions of privatized enterprises have increased dramatically; Ugandan stakeholders (including the trade unions) and civil society recognize the benefits of privatization; and both the GOU and the project have responded flexibly to mistakes and learned valuable lessons (see table 3.4 and Annex 1.4).

The largest enterprises still remain in government hands. Moreover, despite significant reduction, net subsidies in FY98 still accounted for more than 3 percent of GDP (1.5 percent on account of public utilities), perhaps because of the emergence of new enterprises.³² Thus, while

Table 3.4 Number of Public Enterprises Privatized in Uganda, FY92-00

Year	Sold	Liquidated or struck from register ^a	Total
1992-93	4	0	4
1993-94	3	6	9
1994-95	14	0	14
1995-96	20	1	21
1996-97	10	5	15
Total before Parliamentary probe	51	12	63
Total to April 2000 ^b	63	32	95

a. Three divestitures have been either canceled or reversed: Uganda Commercial Bank, Apollo Hotel, and Nile Hotel.

b. Public enterprises struck from the register include companies ceasing operations or facing lengthy legal impediments to divestiture.

Source: Privatization Unit, Ministry of Finance, Planning, and Economic Development, Uganda.

efficacy is now satisfactory, some deficiencies remain. Project implementation has been exceedingly slow and halting—it has taken more than a decade for the privatization of the major public enterprises to begin. The projects' efficiency has therefore been low. IDA's reluctance to halt the Enterprise Development Project and the preparation of a new project, despite obvious irregularities, somewhat tarnished its credibility (particularly with donors and civil society) as an institution promoting governance. However, its tardiness had the benefit (although unintended) of allowing Parliament to assert oversight and checks and balances, thereby increasing the accountability of bureaucrats and politicians to their civil society principals. Overall, taking account of satisfactory efficacy and modest relevance and efficiency, IDA's outcomes at the end of FY99 are assessed as modest.

Financial Sector

IDA's diagnostic study of the financial sector in 1991 revealed serious systemic problems. The government's pervasive presence and interference and the high concentration of the banking and financial systems discouraged efficiency.³³ High operating losses and nonperforming assets eroded bank capital. Administered interest rates and negative real rates perpetuated a cash economy. The legal framework was weak, authority was split between the MFPED and the Bank of Uganda, and prudential regulations were inad-

equate. These problems and the Bank of Uganda's own staffing and organizational weaknesses diminished its authority, hindered its supervisory and central banking role, encouraged inefficient management of its accounts, and weakened its capital base. As a result, confidence in the financial system was low. At 81 percent of GDP, the monetary assets ratio was perhaps the lowest in the world. The system's lack of depth, which led the government to monetize deficits either with external resources or through recourse to the Bank of Uganda, triggered inflation, depressed interest rates, and reduced credit to the private sector (Khatkhate 1999).

IDA therefore approved the Financial Sector Adjustment Credit (FSAC) in 1993. FSAC had multiple objectives: to transfer responsibility for monetary policy to the Bank of Uganda, improve resource mobilization and allocation with real interest rates, strengthen sector competition and efficiency, enhance banking supervision and financial discipline and the Bank of Uganda's authority, improve the profitability of problem banks, and develop money and capital markets.

Not all FSAC's initial objectives were relevant. Although consistent with IDA's diagnosis, they were much too ambitious for the government's limited skills. Reforms were also poorly sequenced: FSAC called for restructuring of the Uganda Commercial Bank ahead of privatization; interest rate liberalization, money and capital market development, and reliance on indirect

monetary instruments when banks were saddled with nonperforming assets; and interest rate liberalization before banking supervision was strengthened.³⁴

FSAC's implementation was slow and patchy. Policy, legal, and institutional reforms were implemented, but not many were enforced. Although the government sold its equity in foreign banks and set up the Non-Performing Assets Recovery Trust (NPART), attempts to restructure the Uganda Commercial Bank and the Cooperative Bank and to strengthen the Bank of Uganda ran aground because of bureaucratic resistance and a lack of political consensus and skills. Bank of Uganda statutes did not ensure independence, and the regulatory framework proved inadequate. Through 1994, more than half the operating banks continued to experience losses, seven banks were insolvent, and nonperforming assets exceeded 50 percent of total bank loans. Uneven implementation and the continuing fragility of the financial system prompted the government and IDA to carry out a second sector review in 1995 that refocused FSAC's strategy on immediate priorities: privatizing the Uganda Commercial Bank, prompt recovery of nonperforming assets, strengthening the Bank of Uganda's capacity to deal with problem banks, and clearer licensing to better manage bank exit and entry. However, despite these changes, the Uganda Commercial Bank's privatization was bungled through political manipulation. The fraudulent privatization transaction was annulled, and the MFPED is now trying to place the bank under a qualified international bank.

Most of FSAC's immediate objectives were achieved, particularly those relating to stabilization; improvements in the management, capitalization, solvency, and technical capacity of the Bank of Uganda; laws and supervisory regulations; reduction in public ownership; enhanced competitiveness and quality of banks; improvements in bank capitalization and prudential ratios; and transfer of nonperforming assets to NPART. However, the Bank of Uganda's supervision is still weak, since external audits have revealed a clear pattern of violation of regulations; NPART's activities have been slow; the privatization of the Uganda Commercial Bank has been

a real failure; and the interbank money market and use of indirect monetary instruments have not taken off. FSAC's outcome has therefore been *mixed*. Nevertheless, partly because of FSAC, the government and all sections of the Ugandan polity are now committed to financial sector reform (Khatkhate 1999).

Power Sector

A 1983 Energy Systems Management Assistance Program (ESMAP) study provided the foundations for IDA's energy strategy through 1996. It focused on pricing; manpower and maintenance needs; and sector coordination, management, and planning. This focus and the subsequent Power II operation (FY85) were relevant to Uganda's needs in the 1980s. But ESMAP 1983 did not consider efficiency issues and failed to foresee the growth of demand for power in Uganda. Most important, it accepted the prevalent view that public enterprises were the appropriate providers of power. By the late 1980s, the Bank had recognized that private sector participation could relieve governments of the heavy financial investments needed to satisfy the rapidly growing demand for power, while improving efficiency. Nonetheless, Power III (FY91) still relied on ESMAP 1983, limiting itself to rehabilitating, upgrading, and expanding the state-owned Owen Falls hydroelectric plant and the country's transmission and distribution facilities, particularly the Kampala networks (Covarrubias 1999).

The physical and institutional implementation of Power II and Power III was significantly delayed. Power II had large cost overruns, and IDA could not enforce the financial covenant on the rate of return for the Uganda Electricity Board (UEB). The UEB's financial performance remained poor under Power III, and an external audit in 1998 discovered gross mismanagement and fraud. Power system performance also remains poor. Tariffs are low and distorted, system losses are high, electricity shortages are severe, and private industry and commerce rely primarily on private generators.

A much-needed follow-up ESMAP in 1996 emphasized private participation, corporatization of UEB, sector reforms, and a regulatory frame-

work, but it failed to focus on the need to meet burgeoning power demand through greater efficiency, improved financial viability, and capacity expansion. A survey of private businesses in 1998 finally brought home the seriousness of power supply constraints, and IDA began processing Power IV, an emergency operation to expand Owen Falls' capacity. But negotiations were stalled by the lack of government ownership of the accompanying reform program aimed at introducing private investment and operations in the sector, and eventually privatizing UEB. Thus IDA has failed to meet its primary objectives of expanding power in line with the economy's growth and making UEB a commercially viable entity.

Some progress has taken place in the last year. UEB's functions were recently organized under separate departments in preparation for eventual privatization. UEB's top management has been changed, and the organization is staffed with competent professionals. The GOU has reached internal consensus on setting up a multisector regulatory body for all utilities. In June 1999, the Cabinet approved a sector reform strategy prepared by independent international consultants, and Parliament enacted a new electricity law in October of that year. An independent power producer project, contingent on the implementation of the new law and UEB's privatization, is under consideration for the Bujagali hydroelectric plant (with IFC involvement).



PERFORMANCE BY THE BORROWER, DONORS, AND IDA

This section examines the contribution that different actors have made to the performance of Bank assistance to Uganda. Attributing results is a difficult problem in most evaluations. This is especially the case in an evaluation at the country level, where in addition to disentangling the International Development Association's (IDA) contribution from that of the borrower and other donors, it is also necessary to differentiate between the impact these actors had on the performance of Bank assistance (the object of this Country Assistance Evaluation) as opposed to their impact on country performance (Uganda's economic and social developments since 1986).

While this attribution problem does not have a perfect solution, in Uganda's case this is not as serious a problem. First, the Bank (and other donors) had a very strategic ("high plane") involvement, and therefore the objectives of IDA's assistance can almost be identified with country performance. Second, most actors made a significant and positive contribution to the satisfactory results that were achieved.

The Borrower's Performance

The greatest achievement of IDA's assistance program in Uganda has been its contribution to macroeconomic stability and economic growth. Critical factors were the Government of Uganda (GOU) strong political leadership, eagerness to learn from internal and external experience, good use of technical assistance in core gov-

ernment agencies, widening government commitment, and recognition of the need to broaden the ownership of reform (Holmgren and others 1999, p. 1). The GOU has progressed from the uncoordinated aid absorption of the early days, through a project focus (in Public Investment Plans), to the current Medium-Term Expenditure Framework and its associated sectorwide approach for promoting the Poverty Eradication Action Plan (PEAP).

The GOU also substantially contributed to the poverty reduction impact of IDA's assistance. The GOU put PEAP in place to reorient spending on services for the poor, creating institutional safeguards to protect poverty-oriented public expenditure and service delivery and imposing transparency and performance conditions on district budget transfers. The GOU also cre-

ated the Poverty Action Fund (PAF) to ring-fence the additional poverty-oriented expenditures financed by the Highly Indebted Poor Countries (HIPC) Initiative. It adopted universal primary education and made profound institutional changes to empower the poor, among them decentralization and the Land Act of July 1998. The government has also promulgated laws to counter gender bias (Goetz and Jenkins 1998, pp. 3–10).

The GOU set up the Inspector General of Government (IGG), appointed a minister of ethics and integrity, promoted budget reform, and strengthened the legal framework that regulates the private sector. Recognizing how civil society can exert checks and balances over government, the GOU has also fostered lively public debate on government policy in the media, supported the development of associations of interest groups, invited stakeholders to review budget proposals and monitor the use of PAF allocations, and encouraged major stakeholders (Parliament, nongovernmental organizations [NGOs], research institutes, trade associations) to get involved in public policy.

Several factors could have increased GOU effectiveness in benefiting and implementing IDA assistance. Governance is weak and corruption needs to be tackled more aggressively. The GOU has failed to follow through on pay reform as a necessary (if not sufficient) condition for civil service probity. Line ministries, lagging in capacity building and reform ownership, have delayed critical reform. Leaders trying to accommodate divergent interests have not always promptly prevented sector ministries from pulling in different directions: the role of mediator has often fallen to the Ministry of Finance, Planning, and Economic Development (MFPED). Finally, Uganda's inability to come to terms with insurgents in the north and its involvement in the affairs of neighbors risk the sustainability of its achievements thus far.

Donor Performance Issues

Donors have been invaluable in Uganda's progress since 1987, not merely by sustaining aid inflows equivalent to at least 10 percent of GDP each year but also by offering technical assistance and advice on Uganda's development options.

Nevertheless, the sheer number of projects (more than 250 active projects in January 1999) suggests that government capacity is being unduly stretched to accommodate divergent donor interests. Moreover, the practice of tying aid to procurement in donor countries and donors' insistence on separate accounting, reporting, procurement, and auditing procedures must surely sap the energy of aid recipients and breed cynicism among them (Goetz and Jenkins 1998).

While donors have appreciated the recent GOU budget initiative to obtain their certification of budget priorities and allocations, they have not fully bought into the country's agenda by basing their country strategies on agreed-on GOU priorities. Their technical assistance (TA) is still largely tied to foreign consultants. Almost 60 percent of donor aid is still disbursed outside normal budgetary channels and does not compete with Ugandan projects and programs in budget allocations for funding the GOU's own priorities; such aid runs the risk of encouraging lapses in governance. Finally, few donors offer firm indications of future aid to support alternative scenarios in the Medium-Term Expenditure Framework (Tumusiime-Mutebile 1999).

IDA's Strengths

- *Economic and sector work (ESW) has been one of IDA's major strengths.* Again and again, ESW has helped focus policymakers on neglected issues, define Ugandan debate, keep up the momentum of reform not just in the macroeconomy, but in key sectors, and establish IDA's credibility in almost all major areas of reform. Donor sector specialists have appreciated IDA's superior analytical work and its ability to effectively raise critical issues with the government (*Voices*). IDA's survey techniques have demonstrated to policymakers how robust decisions can be taken without having to wait for reliable statistical systems to develop. IDA's ESW has also been participatory; it has drawn not only on Ugandan expertise (the Agricultural Task Force is only one example) but also on skills available elsewhere in the Bank (World Bank Institute, Development Economics, International Finance Corporation, and Foreign Investment

Advisory Service) and among donors and the larger development community (academia, Transparency International, the Global Coalition for Africa).

- *IDA has excelled at macroeconomic reform.* IDA's reform objectives have been right and consistent with those of the government (*Voices*). IDA deserves credit—along with the government and the International Monetary Fund (IMF)—for getting the macroeconomic and coffee reforms right. Moreover, IDA has been central in repairing the macroeconomic environment, so that the private sector can operate and donors' activities can flourish. It has also been a major partner in public sector reform. Finally, IDA has been hugely successful in raising cofinancing for Uganda's reform programs and in arranging debt relief.
- *IDA has helped lay the foundation for the Comprehensive Development Framework (CDF) in Uganda.* In framing successive adjustment programs, sequencing complementary operations, and promoting the Medium-Term Expenditure Framework, IDA has consistently taken a long view of participatory development. It has supported the government in opening the budget, poverty, and debt processes to a wide range of stakeholders, reaching beyond line ministries and district administrations to donors, Parliament, nongovernmental organizations (NGOs), and the media. Its formal and informal activities have established regular dialogue with donors, and its staunch support for the government through successive crises has promoted government ownership and commitment. In recent years, it has shown great sensitivity in not thrusting its ideas on the government, but letting its ESW (for example, on tax policy) evolve through internal government debate into government proposals.
- *IDA has made significant progress in key areas.* IDA's impressive work on poverty and service delivery was instrumental in making poverty reduction the central theme of the FY98 budget and PEAP a key program of the Ugandan government. IDA also moved swiftly to support universal primary education when mounting teacher salary arrears were threatening to derail it.

Thanks to IDA's support for budget reform, the Budget Framework Paper has been critical in maintaining macroeconomic stability, focusing the Cabinet's budget discussions on the medium term, appraising key priorities and policy changes within a fiscal framework, helping sector ministries understand the importance of planning for resources, and transforming the budget structure in favor of priority sectors. IDA's support for civil service reform (CSR) has helped cut the size of the civil service by more than half, redefine ministerial functions, raise salaries closer to a living wage, and limit public sector services where the private sector can provide them. IDA has helped raise the technical proficiency of the MFPEd, the Bank of Uganda, and other core agency staff, and IDA's 1998 mission on anticorruption strategies and the World Bank Institute's Integrity Surveys and Investigative Reporting seminars have raised awareness of corruption and the role of the media and civil society in enhancing governance in Uganda.

- *IDA has not been afraid to take risks.* It took great courage after the war, when the National Resistance Movement needed all the civil support it could muster, to push hard for the return of confiscated properties to their Asian former owners. The coffee and cotton marketing reforms and privatization faced opposition from vested interests. It also took a certain humility to acknowledge design flaws and recast the public enterprise and financial reform programs. Moreover, it took strength to stick by the client through successive crises.¹ IDA has also not been afraid to experiment, as when it set up the Uganda Revenue Authority, adopted salary supplements (and then renounced them) to motivate the civil service, and organized the Consultative Group (CG) in Kampala. The current Local Government Development Program (LGDP) also exemplifies good risk-taking, piloting of innovations, and learning by doing. IDA is proposing to test another innovative lending instrument—a Public Expenditure Reform Credit—to supplement its adjustment-cum-investment approach to long-term and systemic social and institutional reform.

IDA's Weaknesses

Against the framework of this impressive list of achievements and strengths, there are also areas where IDA could have been more effective. Improvements in some of these areas (for example, the slowness in shifting from macro to sectoral support) would have yielded better results overall. However, since IDA was already overextended, it is clear that greater focus on other weak areas (such as capacity building in the line ministries) would have come at the cost of reduced effectiveness in other areas.

- *IDA had difficulty switching from macro-economic to sector and thematic reform.* While the First Structural Adjustment Credit (SAC I) was under way, IDA responded slowly to bottlenecks in finance, power, and privatization.² It was also tardy in promoting issues its own ESW had flagged, such as decentralization and poverty reduction.³ IDA therefore lost about two years in the transition to sectorwide approaches and thematic assistance strategies, and its FY95–96 lending was thus ad hoc. Admittedly, IDA was also coping with portfolio restructuring and the reorganization of the Africa Region (see Annex 1.4), but interviews with Bank staff suggest that IDA did not have a clear strategy, even as it neared the completion of its macroeconomic agenda under SAC I and SAC II. Since FY97, however, IDA has regained momentum in lending as well as in the reform of budget processes, decentralization, privatization, power, education, and trade—continuing delays are the result, in part, of the lack of line ministry capacity and reform ownership.

IDA's ESW has identified the dimensions of poverty and spelled out a clear strategy for rural development and for the food crop sector, which employs the bulk of the poor. But its impact on Bank operations has been modest (van Holst Pellekaan 1999). Although it has supported research and extension, IDA has barely made a dent in agricultural diversification, productivity, rural employment, land tenure, food processing, and marketing (*Voices*). IDA has not really evaluated its efficacy in reducing gender bias

through its investment lending: supervision of its gender components has been poor.

IDA has focused largely on developing core government capacities—among them the MFPED, the Bank of Uganda, Uganda Revenue Authority, and the Office of the Accountant General. Even though IDA incorporated capacity building components into its investment projects and spent more resources at the center than at the district and facility levels, capacity in the line ministries has lagged. IDA has tried to compensate for inadequate line ministry skills by drawing in the MFPED—in its capacity as economic planner and guardian of the budget—to clinch discussions on sector strategies. The forthcoming Public Expenditure Reform Credit is a case in point. The strategy overstretches the MFPED in areas where it may not have the requisite skills, and it runs the risk of straining relations between the MFPED and the line ministries and, ultimately, of disempowering the line ministries.

In addition, IDA's neglect of civil service pay reform has jeopardized the success of IDA's TA, training, and support for results-oriented management. Finally, IDA has neglected to promote a culture of monitoring and evaluation—another prerequisite for output-oriented budgeting and results-oriented management, which will be critical to the success of its proposed Public Expenditure Reform Credits.

- *IDA is poor at implementation.* Several focus group participants indicated that IDA's project implementation suffers from poor design and sequencing, rigid and confusing procedures (particularly for procurement and disbursement), frequent changes in task managers, injudicious reliance on project implementation units, and poor monitoring and evaluation (*Voices*). The resident mission lacks the requisite procurement and sectoral expertise and decisionmaking power because task managers in Washington generally make decisions. IDA's supervision records and Implementation Completion Reports corroborate these assessments.



RECOMMENDATIONS

The Comprehensive Development Framework and Aid Coordination

E*mphasize selectivity and partnership.* The Ugandan program and the Comprehensive Development Framework (CDF) partnership would gain if the International Development Association (IDA) engaged other stakeholders in identifying its comparative strengths and, by example, encouraged other donors to improve program coherence, focus, efficiency, and transparency. It would also be more efficient to restrict new initiatives to a few major goals and to rely on other donors to support other areas.

- *Help the Government of Uganda (GOU) strengthen its aid management capacity.* For a start, the GOU should lead the next Consultative Group. IDA should also encourage donors to move from project aid to budget support as it encourages the GOU to develop capacity and take responsibility for the administrative and financial procedures for transparent aid management.

IDA's Efficiency

- *IDA needs to handle procurement and disbursement more flexibly.* IDA's procurement and disbursement procedures sometimes delay project implementation. Intense training of both GOU and IDA staff in procurement and disbursement procedures or locating a procurement specialist in the resident mission would help address this problem (*Voices*).

IDA's Poverty Reduction and Social Development Strategy

- *Help map the regional, economic, social, and gender characteristics of the poor* to assist government in clarifying its poverty reduction and service delivery priorities, identifying strategies for achieving goals, costing out strategy options, linking resource use and outcomes, and setting up institutions for monitoring poverty reduction and improvements in social indicators.
- *Define IDA's role within a more comprehensive assistance strategy for rural development.* IDA should build on the proposed Framework for the Modernization of Agriculture to determine its particular niche in promoting rural development. Much remains to be done to diversify agriculture out of the food crop sector and extend the reach of com-

mercial agriculture; increase productivity and employment; implement tenural reform; expand research, the extension network, and roads; restore rural finance networks; and identify export crops that need “market and trade facilitation.” The emphasis of the 1997 Country Assistance Strategy on rapid growth, institutional arrangements in the road sector, an action plan for extension, the Land Bill, transfer of development and equalization grants to local authorities, and poverty monitoring is only a first step.

Institutional Development

- *Encourage the GOU's coordination of major reforms.* Budget reform, civil service reform, capacity building, the GOU's administrative and information systems, and decentralization are major reforms that require not only ongoing coordination across the GOU, but also monitoring of their impact on IDA's own program. The GOU recognizes the importance of coordination—but coordinating implementation is key.
- *Take stock of technical assistance (TA) and training programs and their impact on capacity building.* If capacity building is among IDA's major goals, it needs to systematically replicate its success with the Ministry of Finance, Planning, and Economic Development in line ministries and in local authorities. Stand-alone TA—rather than TA combined with multiobjective project components—is likely to be the best approach. IDA should also take stock of its training programs (perhaps with World Bank Institute support) and rethink its mix of consultant and training support. In sum, IDA needs to articulate a strategy for capacity building in particular, and institutional development in general.
- *Take a stronger stance on governance.* Better governance is critical to the success of many IDA programs—including service delivery for social progress and poverty reduction, budget implementation, capacity

building, decentralization, privatization, and utility reform. IDA and the donors should unite in calling for the enforcement of sanctions. IDA could also condition its assistance on specific actions identified in its 1998 governance report. A major prerequisite for governance is pay reform. Increasing civil service pay may not deter corruption in public administration, but government officials and civil society alike perceive its necessity.

- *Promote monitoring and evaluation for transparency, accountability, and a culture of results.* Despite emphasis on output-oriented budgeting and results-oriented management, Uganda lacks performance orientation. The Cabinet needs a central monitoring unit to assess whether national priorities are being achieved. Monitoring and evaluation must provide important inputs to government resource allocation and accountability in budget decisions. Line ministries need a monitoring culture to set standards and assume supervision—the roles assigned to them under decentralization. Districts need monitoring and evaluation to assess whether service delivery is in line with district programs and constituents' aspirations. IDA, in turn, should be more open about its programs and lending goals, involve independent non-governmental organizations in supervising and monitoring project implementation, and publicize the results. Such transparency would automatically promote accountability in IDA's projects and serve as an example for other stakeholders (*Voices*).

Private Sector Development

- *IDA should seek the help of its CDF partners in encouraging the GOU to move ahead with infrastructure investments, private sector participation and competition, and regulatory reform.* In power, transport, and urban development (water and sanitation and industrial space), there is a large gap between needs and available resources.

ANNEXES

ANNEX 1.1 STATISTICAL TABLES AND FIGURE

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TABLE 1.1.1 UGANDA SOCIAL INDICATORS

	Latest single year			Same region/income group	
	1970–75	1980–85	1992–97	Sub-Saharan Africa	Low-income
Population					
Total population, mid-year (millions)	11.2	14.1	20.3	612.4	2,035.6
Growth rate (% annual average)	2.7	2.0	2.5	2.2	1.7
Urban population (% of population)	8.3	9.9	13.2	32.3	28.4
Total fertility rate (births per woman)	7.1	7.3	6.6	5.5	4.0
Poverty					
(% of population)					
National headcount index	..	..	55.0	..	..
Urban headcount index	..	..	..	..	..
Rural headcount index	..	..	..	..	..
Income					
GNP per capita (US\$)	..	180	330	510	350
Consumer price index (1995 = 100)	..	1	115	118	122
Food price index (1995 = 100)	..	..	107	..	..
Income/consumption distribution					
Gini index	..	..	39.2	..	..
Lowest quintile (% of income or consumption)	6.0	..	6.6	..	..
Highest quintile (% of income or consumption)	47.0	..	46.1	..	..
Social indicators					
Public expenditure					
Health (% of GDP)	..	..	1.9	2.5	1.0
Education (% of GNP)	2.7	3.5	2.6	4.3	..
Social security and welfare (% of GDP)	..	..	..	..	..
Net primary school enrollment rate					
(% of age group)					
Total	..	41	..	..	..
Male	..	44	..	..	..
Female	..	38	..	..	..
Access to safe water					
(% of population)					
Total	22	16	42	47	69
Urban	88	45	..	74	80
Rural	17	12	..	32	66

	Latest single year			Same region/income group	
	1970–75	1980–85	1992–97	Sub-Saharan Africa	Low-income
Immunization rate					
(% under 12 months)					
Measles	..	17	60	58	74
DPT	..	14	58	53	76
Child malnutrition (% under 5 years)	..	..	26	..	..
Life expectancy at birth (years)					
Total	51	48	42	51	59
Male	50	48	43	49	58
Female	52	49	42	52	60
Mortality					
Infant (per thousand live births)	104	116	99	91	82
Under 5 (per thousand live births)	185	180	162	147	118
Adult (ages 15–59)					
Male (per 1,000 population)	447	463	580	428	274
Female (per 1,000 population)	393	395	590	375	255
Maternal (per 100,000 live births)	..	300	550	..	..

Source: World Bank 1999.

TABLE 1.1.2 SUBJECT AREAS OF ECONOMIC AND SECTOR WORK

Subject	Year(s)
The Poverty Eradication Action Plan	n.d.
Poverty and Inequality	n.d.
Industrial Sector Management	1986
Financial Feasibility of Universal Primary Education	1987
Industrial Recovery and Restructuring	1988
Financial Sector	1988
Stabilization and Economic Recovery	1988
Gender	1991, 1992
District Management	1992
Public Expenditure	1992-98
Agricultural Sector	1993
Performance of the Health and Agriculture Sectors	1995
National Capacity	1996
Equity of Access to Education and Health Care	1996
Tax Revenue Issues	1997
Tax Exemptions	1997
Trade Policy and Export Growth	1997
Effective Protection and Manufacturing Efficiency	1997
An Effective Duty Draw-Back System	1997
Local Taxation	1997
Outcome-Oriented Budgetary Process	1997
Improving the Management and Efficiency of Public Expenditures and Decentralization	1997
Reducing Quasi-Fiscal Deficits: Parastatals	1997
Changes in Poverty: Analysis of Household Surveys	1997
The Budget Framework	1997
Foreign Investor Perceptions of Uganda	1999
Ugandan Firms' Experience with Corruption	1999
Crop Markets	1999
Determinants of Agricultural Productivity and Non-Farm Enterprise Start-ups	1999

Available ESW Reports

Decentralization of Uganda's Health Sector	n.d.
Uganda: Growing Out of Poverty	1993
Strengthening Uganda's Policy Environment for Investing in University Development	1993
Social Sector Strategy	1993
The Role of Nongovernmental Organizations and Community-Based Groups in Poverty Alleviation	1994
Restructuring Public Expenditure	1994
Uganda's AIDS Crisis	1995
Restructuring Uganda's Debt: The Commercial Debt Buy-Back System	1995
Challenge of Growth and Poverty Reduction	1996
Do Budgets Really Matter? Evidence from Public Spending on Education and Health in Uganda	1998
Changes in Poverty in Uganda, 1992-96	1998
Using Surveys for Public Sector Reform	1999
Confronting Competition: Investment Response and Constraints in Uganda	1999
How Inadequate Provision of Public Infrastructure and Services Affects Private Investment	1999

TABLE 1.1.3 EFFICIENCY OF IDA ASSISTANCE: UGANDA AND COMPARATORS

Country	Average completion cost (staff years per project)			Supervision intensity (staff weeks per project)			Cost per ESW report (staff weeks per report)		
	FY88–92	FY93–97	FY88–97	FY88–92	FY93–97	FY88–97	FY88–92	FY93–97	FY88–97
Uganda	1.7	2.0	1.9	14.7	21.1	17.8	65.4	32.0	44.6
Ghana	2.1	2.0	2.1	14.5	19.1	16.8	61.4	61.7	61.5
Kenya	2.6	2.5	2.6	16.4	25.4	20.9	63.2	126.9	87.1
Malawi	2.2	2.8	2.5	12.2	26.2	19.2	48.0	46.0	47.2
Tanzania	2.4	2.0	2.2	15.7	24.8	20.3	52.7	71.7	62.2
Zambia	1.9 ^a	2.4	2.0	8.4	19.9	14.2	57.6	53.6	55.3
Africa Region	2.2	2.6	2.2	14.3	20.8	17.5	52.3	59.0	55.6
Bankwide	2.2	2.2	2.2	13.2	20.0	16.7	56.8	67.7	62.2

Note: ESW = economic and sector work.

a. Since the Bank did not lend to Zambia during FY88–90, the figure for 1988–92 refers to FY91–92.

Source: World Bank Corporate Resource Management database.

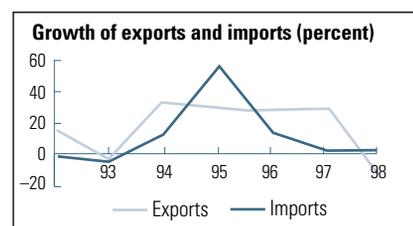
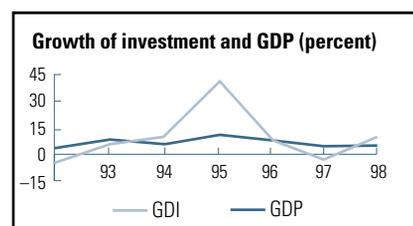
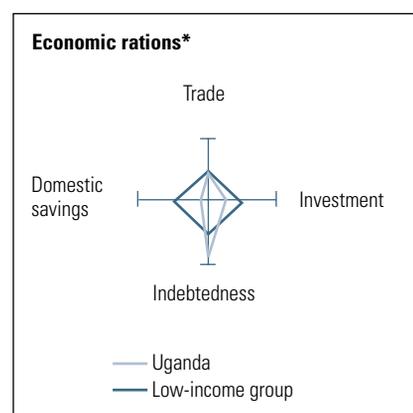
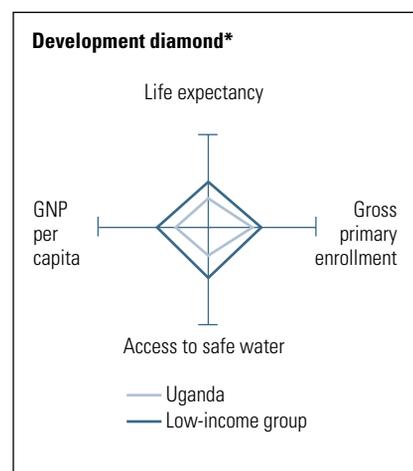
TABLE 1.1.4 EVOLUTION OF IDA'S STRATEGIC OBJECTIVES AND POLICIES
FOR UGANDA, 1987-99

	PPF 1987	PPF 1989	ERC II 1990	CSP 1991	PPF 1992	CSP 1993	SAC II 1994	CAS 1995	CAS 1997	SAC III	PPF 1999
Sustained growth	X	X	X		X	X		X	X	X	X
Lab int/broad								X		X	X
Exp dev	X	X							X		
Agriculture/ind			X	X	X						
Recovery	X	X									
Phys infra	X	X	X								
Social infra	X	X	X								
Stabilization			X			X	X	X	X		
Inflation	X	X	X	X	X		X				
BOP	X	X	X		X	X					
Intl res	X	X	X		X						
Exch rate	X	X	X	X	X		X		X		
Money & credit			X								X
Debt management	X	X		X	X		X		X		X
Structural reform	X	X	X	X	X				X	X	X
Donor coordination					X						
Benef consult								X			
Security											
PSM											
Efficacy	X	X			X		X				
Fiscal		X	X	X	X	X			X	X	X
Budget process					X				X	X	X
CSR			X	X	X	X		X			X
Capacity bldg				X		X		X	X	X	
Decentralization								X	X	X	X
Governance									X	X	
Poverty red & soc						X		X	X	X	X
Labor-int growth								X	X		
Human res dev		X		X	X	X	X	X	X	X	X
Improve serv del									X	X	X
Gender bias					X	X		X	X		
Ag/rural dev							X		X		X
Disadv grps/reg		X		X				X	X		
Labor market						X					
PSD						X					X
PE reform/privatn		X	X	X	X	X		X	X	X	X
Financial sector		X		X	X		X		X	X	X
Physical infrastr				X	X			X	X	X	X
Regulatory reform				X		X		X	X		X
Environment				X		X		X	X		X
Statistics								X			X

Source: World Bank data.

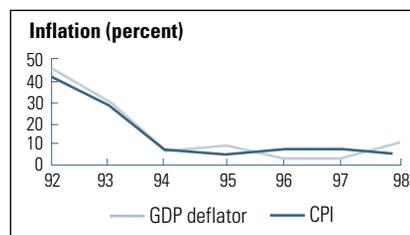
TABLE 1.1.5 UGANDA AT A GLANCE

	Uganda	Sub-Saharan Africa	Low-income	
POVERTY and SOCIAL				
1998				
Population, mid-year (millions)	20.9	628	3,515	
GNP per capita (Atlas method, US\$)	320	480	520	
GNP (Atlas method, US\$ billions)	6.7	304	1,844	
Average annual growth, 1992–98				
Population (%)	3.0	2.6	1.7	
Labor force (%)	2.7	2.6	1.9	
Most recent estimate (latest year available, 1992–98)				
Poverty (% of population below national poverty line)	46	..	..
Urban population (% of total population)	13	33	31	
Life expectancy at birth (years)	42	51	63	
Infant mortality (per 1,000 live births)	99	91	69	
Child malnutrition (% of children under 5)	26	..	..
Access to safe water (% of population)	41	47	74	
Illiteracy (% of population age 15+)	..	42	32	
Gross primary enrollment (% of school-age population)	91	77	108	
Male	99	84	113	
Female	83	69	103	
KEY ECONOMIC RATIOS and LONG-TERM TRENDS				
	1977	1987	1997	1998
GDP (US\$ billions)	..	6.3	6.3	6.8
Gross domestic investment/GDP	..	9.7	16.0	15.1
Exports of goods and services/GDP	..	8.2	13.1	10.3
Gross domestic savings/GDP	..	-0.1	7.9	5.7
Gross national savings/GDP	..	0.8	12.7	13.2
Current account balance/GDP	..	-2.2	-8.3	-10.2
Interest payments/GDP	..	..	0.6	0.6
Total debt/GDP	..	20.8	58.1	53.6
Total debt service/exports	..	..	19.4	25.4
Present value of debt/GDP	..	..	32.7	..
Present value of debt/exports	..	..	238.5	..
	1977–87	1988–98	1997	1998
<i>(average annual growth)</i>				
GDP	..	6.9	4.7	5.6
GNP per capita	..	3.8	2.4	2.7
Exports of goods and services	..	13.0	29.5	-14.9
STRUCTURE OF THE ECONOMY				
	1977	1987	1997	1998
<i>(% of GDP)</i>				
Agriculture	..	56.8	42.0	44.6
Industry	..	10.1	17.6	17.6
Manufacturing	..	5.9	8.6	8.9
Services	..	33.2	40.5	37.8
Private consumption	..	92.1	81.8	84.7
General government consumption	..	8.0	10.4	9.6
Imports of goods and services	..	18.0	21.2	19.7
	1977–87	1988–98	1997	1998
<i>(average annual growth)</i>				
Agriculture	..	3.8	1.1	1.9
Industry	..	11.3	11.4	11.5
Manufacturing	..	12.8	13.4	14.4
Services	..	8.0	5.7	6.6
Private consumption	..	6.3	1.6	7.2
General government consumption	..	7.2	7.0	8.0
Gross domestic investment	..	7.5	-2.6	10.5
Imports of goods and services	..	7.6	2.0	3.1
Gross national product..	..	7.1	5.4	5.7

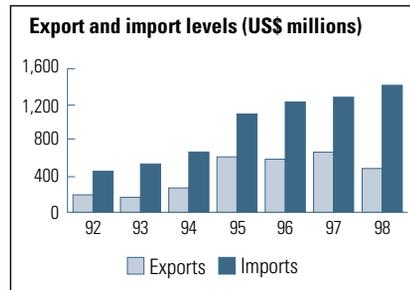


PRICES and GOVERNMENT FINANCE

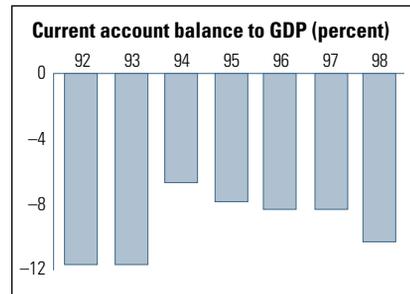
	1977	1987	1997	1998
Domestic prices (% change)				
Consumer prices	..	216.5	7.8	5.8
Implicit GDP deflator	..	181.0	3.9	10.7
Government finance (% of GDP, includes current grants)				
Current revenue	..	4.7	11.0	10.2
Current budget balance	..	-0.9	1.0	0.8
Overall surplus/deficit	..	-4.2	-6.2	-5.7



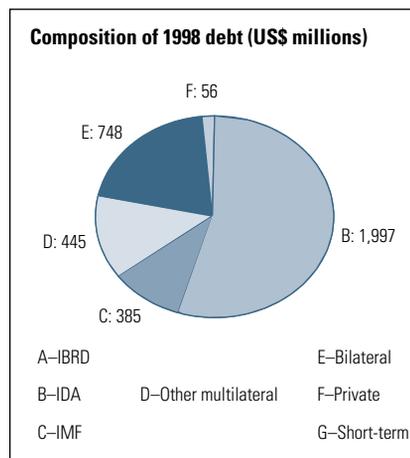
TRADE	1977	1987	1997	1998
(US\$ millions)				
Total exports (fob)	..	384	671	466
Coffee	..	365	366	268
Cotton	26	15
Manufactures
Total imports (cif)	..	514	1,246	1,393
Food
Fuel and energy	..	63	92	84
Capital goods
Export price index (1995 = 100)
Import price index (1995 = 100)
Terms of trade (1995 = 100)



BALANCE of PAYMENTS	1977	1987	1997	1998
(US\$ millions)				
Exports of goods and services	..	406	825	641
Imports of goods and services	..	600	1,651	1,844
Resource balance	..	-194	-826	-1,203
Net income	-3	-47	-17	-11
Net current transfers	..	100	322	521
Current account balance	-3	-141	-521	-692
Financing items (net)	4	119	653	826
Changes in net reserves	-1	22	-132	-134
Memo:				
Reserves including gold (US\$ millions)	..	53	622	750
Conversion rate (DEC, local/US\$)	..	19.8	1,058.0	1,150.0

**EXTERNAL DEBT and RESOURCE FLOWS**

	1977	1987	1997	1998
(US\$ millions)				
Total debt outstanding and disbursed	..	1,306	3,660	3,631
IBRD	..	0	0	0
IDA	..	0	1,916	1,997
Total debt service	168	174
IBRD	..	0	0	0
IDA	..	0	21	24
Composition of net resource flows				
Official grants
Official creditors
Private creditors
Foreign direct investment
Portfolio equity
World Bank program				
Commitments	..	0	137	247
Disbursements	..	0	166	242
Principal repayments	..	0	8	10
Net flows	..	0	158	231
Interest payments	..	0	13	14
Net transfers	..	0	144	217



Note: 1998 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

TABLE 1.1.6 UGANDA: KEY ECONOMIC INDICATORS, 1988–97

Indicator	Comparator countries, 1988–97 averages						Uganda
	Burkina Faso	Ghana	Kenya	Malawi	Mozambique	Tanzania	
GDP growth (annual %)	3.4	4.4	2.9	4.2	5.2	3.3	7.1
GNP per capita growth (annual %)	1.0	1.6	0.1	1.6	3.7	0.9	3.9
GNP per capita, Atlas method (current US\$)	264	399	329	191	128	178	291
GNP per capita, PPP (current international \$)	884	1,406	1,062	589	538	543	900
Population growth (annual %)	2.4	2.9	2.9	2.9	1.9	3.0	3.1
Agriculture, value added (% of GDP)	33.8	42.2	29.9	40.3	36.0	48.4	51.4
Manufacturing, value added (% of GDP)	17.4	9.4	10.9	17.0	8.5	8.1	6.5
Services, etc., value added (% of GDP)	42.3	37.0	52.3	35.7	41.7	30.5	35.4
Exports of goods and services (% of GDP)	12.0	20.5	29.8	23.7	16.6	14.5	9.1
Imports of goods and services (% of GDP)	26.9	30.8	32.7	36.6	46.3	37.1	20.6
International tourism, receipts (% of total exports)	7.0	12.7	18.4	2.3	..	18.5	11.4
Current account balance (% of GDP)	-1.1	-4.2	-3.0	-12.4	-21.7	-12.0	-8.9
Resource balance (% of GDP)	-14.8	-10.3	-2.9	-12.9	-29.7	-22.6	-11.5
Agriculture, value added (annual % growth)	4.4	2.6	1.9	9.3	3.2	3.7	4.2
Manufacturing, value added (annual % growth)	1.6	3.1	3.5	5.9	24.1	3.0	12.8
Services, etc., value added (annual % growth)	3.4	6.4	4.1	2.0	11.9	2.4	7.8
Exports of goods and services (annual % growth)	3.0	9.2	5.4	4.9	15.7	15.4	13.7
Aid (% of GNP)	17.4	10.7	10.9	28.0	63.3	21.5	15.6
Aid (% of gross domestic investment)	81.1	64.0	49.9	148.1	221.7	95.1	105.2
Aid per capita (current US\$)	41.8	40.0	33.5	52.0	73.1	37.8	37.3
World Bank net disbursements (US\$ million)	43.9	188.3	65.5	83.9	112.7	128.3	143.7
World Bank net disbursements per capita (current US\$)	4.6	11.8	2.7	9.2	7.3	4.7	8.0
Money and quasi money (M2) as % of GDP	21.0	14.4	33.2	18.2	27.4	21.4	8.3
Money and quasi money growth (annual %)	11.1	38.4	21.9	25.4	47.7	30.6	49.2
Inflation, consumer prices (annual %)	4.5	30.8	18.5	29.9	42.6	26.7	41.0
Domestic credit prov. by banking sector (% of GDP)	10.3	21.2	51.9	20.7	12.7	28.8	8.7
Gross domestic savings (% of GDP)	6.7	7.7	18.2	5.7	-3.0	-0.1	2.8
Gross domestic investment (% of GDP)	21.6	17.9	21.1	18.6	26.7	22.3	14.3
Gross international reserves in months of imports	5.6	3.4	1.5	1.8	2.5	1.6	2.3
Private investment (% of GDFIa)	63.4	39.6	57.7	41.9	51.5	..	56.5
Total debt service (% of exports goods and services)	9.7	33.2	31.3	24.1	27.1	27.4	48.5
Overall budget deficit, including grants (% of GDP)	0.4	-0.8	-3.3	-3.5	..	..	..
Expenditure, total (% of GDP)	16.1	15.6	28.2	27.8	..	..	..
Current revenue, excluding grants (% of GDP)	12.9	13.9	23.3	21.2	..	..	..
Tax revenue (% of GDP)	9.2	12.2	20.9	19.1	..	..	..
Trade (% of GDP)	38.9	51.2	62.5	60.3	62.9	51.5	29.7
Foreign direct investment, net inflows (% of GDIb)	0.3	6.1	1.1	0.2	4.3	4.6	7.1
Illiteracy rate, adult total (% of people 15+)	81.4	37.5	24.1	44.9	62.6	32.0	39.4
Immunization, DPT (% children under 12 months)	45.0	45.9	48.3	87.1	50.9	78.9	69.3
Life expectancy at birth, total (years)	45.0	58.4	55.3	44.0	44.1	49.1	45.0
Mortality rate, infant (per 1,000 live births)	102.5	72.4	67.7	134.1	145.1	93.1	100.1
Safe water (% of population with access)	35.0	61.0	46.9	62.7	21.5	49.0	41.8
Sanitation (% of population with access)	8.0	32.6	57.8	64.2	30.3	86.2	66.8
School enrollment, primary (% gross)	34.9	73.7	92.1	75.1	61.9	68.5	74.9
Population density (people per sq km)	34.1	69.2	44.0	95.5	18.9	30.7	87.5
Urban population (% of total)	14.8	35.0	26.4	12.7	30.2	22.5	11.9

a GDFI: Gross domestic fixed investment.

b GDI: Gross domestic investment.

Source: World Development Indicators, various years.

TABLE 1.1.7 UGANDA'S EXPORTS, 1994–95 to 1998–99 (percent)

Export	1994–95	1995–96	1996–97	1997–98	1998–99 ^a
Coffee	78.27	70.99	55.72	57.80	60.61
Gold ^b	0.00	6.17	16.65	5.95	5.94
Fish and fish products	2.53	6.59	5.28	6.12	3.47
Tea	1.46	1.43	1.83	7.53	2.29
Tobacco	1.33	1.39	1.31	3.55	5.00
Maize	3.61	1.66	2.51	1.74	0.45
Fruits and vegetables	0.06	0.14	0.21	0.34	7.14
Cotton	0.54	0.95	1.88	2.45	1.57
Hides and skins	1.75	1.59	1.19	1.68	0.76
Electricity	0.38	0.44	1.30	2.57	1.04
Petroleum products	0.17	0.00	1.52	2.06	1.78
Beans	2.16	1.32	0.91	0.47	0.57
Flowers	0.22	0.39	0.80	1.47	1.88
Base metals and products ^b	2.26	0.01	0.37	0.58	1.31
Simsim	1.00	1.71	0.15	0.01	0.25
Plastic products	0.12	0.09	0.46	0.42	1.38
Soap	0.50	0.43	0.31	0.42	0.29
Sorghum	0.21	0.01	0.05	0.03	0.93
Coca beans	0.10	0.18	0.20	0.29	0.34
Vanilla	0.15	0.15	0.11	0.25	0.23
Soybeans	0.33	0.32	0.04	0.01	0.01
Groundnuts	0.11	0.00	0.00	0.01	0.01
Cigarettes	0.15	0.03	0.02	0.00	0.00
Other ^c	2.59	4.00	7.20	4.24	2.33
Total	100.00	100.00	100.00	100.00	100.00

Note: Fiscal year begins in July.

a. July–March.

b. For 1994–95, gold exports are included in base metals and products.

c. Other included basins, cooking oil, cattle gallstones, waragi, motor vehicles, day-old chicks, eggs, jerricans, pints, building materials, hoes, and so forth.

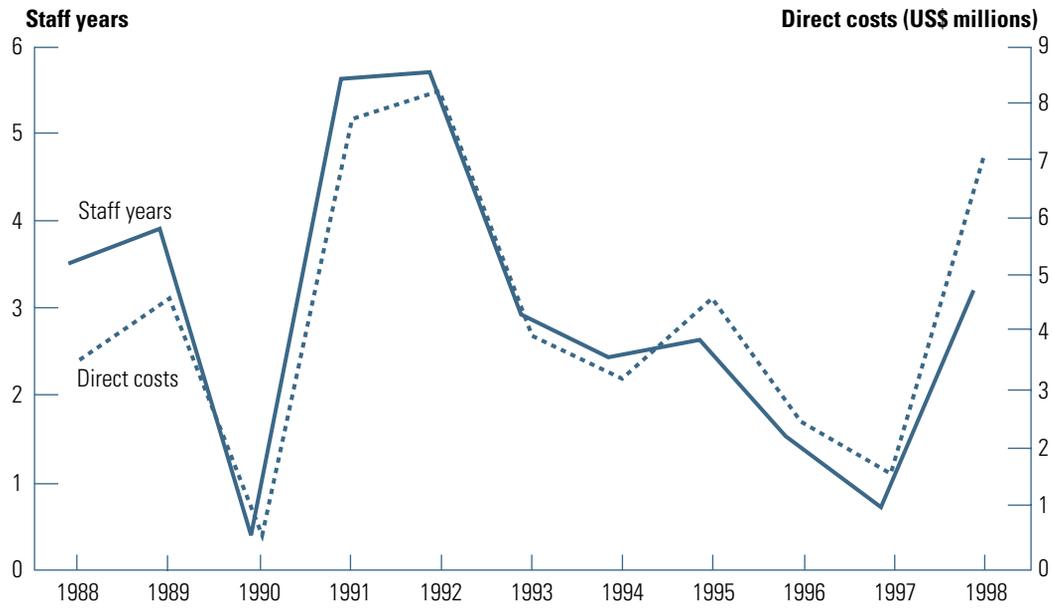
Source: Bank of Uganda.

TABLE 1.1.8 SOCIAL INDICATORS: UGANDA AND COMPARATORS

	Uganda		Burkina Faso		Ghana		Kenya		Malawi		Mozambique		Tanzania	
	1987	1996	1987	1996	1987	1996	1987	1996	1987	1996	1987	1996	1987	1996
GNP per capita	330	290	240	230	420	360	370	320	160	180	140	80	230	170
Health	1987	1996	1987	1996	1987	1996	1987	1996	1987	1996	1987	1996	1987	1996
Life expectancy	49.1	42.9	46.2	47.1	57.5	61.0	59.9	60.0	45.6	43.4	44.9	46.5	52.5	51.8
Death rate	17.6	19.4	18.6	18.0	13.3	9.9	11.1	9.3	21.4	20.4	19.0	18.3	13.8	14.1
Infant mortality	115.5	98.6	109.0	98.2	90.0	71.0	63.0	57.0	137.0	132.9	144.0	122.8	102.0	85.2
Maternal mortality (1990-96)	—	550.0	—	930.0	—	740.0	—	650.0	—	620.0	—	1500.0	—	530.0
	1986	1995	1986	1995	1986	1995	1986	1995	1986	1995	1986	1995	1986	1995
Immunization rates, DPT	21	79	34	47	35	71	72	84	70	98	32	57	74	79
Immunization rates, measles	32	79	64	55	63	68	65	73	65	99	39	71	97	75
ORT (1992-93)	n.a.	45	n.a.	15	n.a.	44	n.a.	69	n.a.	50	n.a.	60	n.a.	83
Education	1980	1995	1980	1995	1980	1995	1980	1995	1980	1995	1980	1995	1980	1995
Gross primary enrollment	50	73	18	38	80	76	115	85	60	135	99	60	93	67
Gross secondary enrollment	5	12	3	8	41	37	20	24	3	5	5	7	3	5
	1985	1995	1985	1995	1985	1995	1985	1995	1985	1995	1985	1995	1985	1995
Adult illiteracy	57	38	86	81	47	n.a.	35	22	59	44	72	60	n.a.	32
Male illiteracy	43	26	77	71	36	24	23	14	48	28	61	42	n.a.	21
Female illiteracy	71	50	94	91	58	47	47	30	69	58	84	57	n.a.	43
Access	1988 1993-95	1988 1993-95	1988 1993-95	1988 1993-95	1988 1993-95	1988 1993-95	1988 1993-95	1988 1993-95	1988 1993-95	1988 1993-95	1988 1993-95	1988 1993-95	1988 1993-95	1988 1993-95
Safe water	n.a.	42	35	n.a.	n.a.	56	n.a.	49	51	54	19	28	n.a.	49
Sanitation	13	60	9	14	26	29	44	43	60	63	n.a.	23	n.a.	86

Source: World Bank 1997, 1998.

FIGURE 1.1.1 ECONOMIC AND SECTOR WORK: RESOURCE COSTS, FY88-98



Source: World Bank, Corporate Resource Management database.

ANNEX 1.2 COMMENTS FROM THE GOVERNMENT OF UGANDA

22nd May 2000

Mr. Robert Blake
World Bank Resident Mission
Kampala

Dear Sir,

Uganda: Country Assistance Evaluation, OED, April 21st 2000

I am sorry that I have been unable to submit my comments on the above report, but please now find enclosed detailed comments on the paragraphs I have found wanting as well as separate comments dealing with privatisation and public enterprise reform which I think is the worst section of the OED's review.

Describing Uganda's recovery between 1986 and 1994 as "a period of atypically slow reconstruction" ignores the extent to which productive capital, including human capital, had been destroyed in the previous 15 years, and the fact that no private investment in long-term assets was likely until private investors had become convinced that political stability and macroeconomic reforms would last.

The OED review argues that, although past reforms are likely to be sustained, it is uncertain whether this will ensure the continuance of past rates of growth and poverty reduction. I agree that the success of electricity privatisation and the roads programme will be crucial because these reforms offer the best prospects for maintaining strong growth rates in the medium term by improving factor productivity and raising private investment rates. But if infrastructural reform is successful it is not impossible to see growth rates being sustained because they will have a major impact on the sources of growth. In the long term primary education will raise labour productivity and economic growth.

The OED review also questions whether poverty reduction can continue at the same pace as in the mid-1990s. Because much of the poverty reduction in the mid-1990s was due to coffee marketing reforms, which cannot be replicated in other sectors, it is likely that the extent to which growth reduces poverty will decline in the medium term. Mass poverty reduction in the rural areas requires supply side reforms to transform productivity in agriculture, which is much more difficult and lengthy to achieve than liberalising crop marketing or other macroeconomic reforms. However, the implementation of the Plan for the Modernisation of Agriculture should have a major impact on incomes and poverty reduction in the medium term. Moreover it should be possible to achieve major gains in social indicators by focussing more resources on primary health because health indicators are still so poor, large improvements should be attainable.

Lastly, it is no longer correct to state that Government has to rely on "heavy handed fiscal corrections" to respond to internal and external shocks. Monetary policy is becoming a more effective tool of macroeconomic management as the TB market has expanded and the BOU has used open market operations more actively. Furthermore, because Uganda now has a large stock of foreign reserves, it is possible to use the reserves to smooth expenditures in the face of shocks to donor aid, as happened last year.

Yours sincerely,

E. Tumusiime Mutebile
PERMANENT SECRETARY/SECRETARY TO THE TREASURY

Comments on Uganda: Country Assistance Evaluation; OED 21 April 2000

P.1 Para 1.2 In the last sentence of this para, the words “imposed fiscal discipline” should be inserted so that the sentence reads “. . . when it imposed fiscal discipline, adopted decentralization, liberalised . . .” because the reimposition of fiscal discipline was the most important landmark in FY 93.

P.3 Para 1.9 Penultimate line: PAF was mainly designed to ring fence the resources saved by HIPC debt relief and to show in a transparent manner how these savings were allocated to poverty reduction programmes over and above the funds which these areas received in the year immediately before HIPC completion point.

P.6 Para 1.15 It is not correct to claim that macroeconomic reforms created few losers. The liberalisation of foreign exchange (the elimination of the administrative allocation of foreign exchange) and the abolition of coffee marketing monopoly were actively resisted by many vested interests and those who stood to benefit (the farmers) had no voice.

P.10 Para 2.10 I do not know where the name Structural Adjustment Participatory Research Initiative came from. At least when SAPRI was first launched it was Structural Adjustment Programme Review Initiative and not structural adjustment participatory research initiative. Moreover participatory approaches in Uganda predate the 1997 CAS; these methods were used extensively in 1995–97 in the preparation of the PEAP.

P.33 Para 3.53 Although it is true that Power III might have a better impact if it had been implemented as part of power sector adjustment operation, I disagree with the conclusion that power III’s objectives were not relevant to Uganda’s needs.

P.34 Para 3.56 The conclusion of this paragraph (i.e., that IDA outcomes in support of PSD have been unsatisfactory) sits uneasily with the statement in para 5.9 that “IDA has been central in repairing the environment in which the

private sector can operate”. It is also inconsistent with the last sentence of para 5.15 and the last sentence of para 5.24.

P.35 Last sentence of para 4.2 may be fine but it should be pointed out that the size of the economy has doubled in 14 years.

P.40 Para 4.13 claims that “no reforms with such a potential for poverty reduction appear to be on the cards in the future.” What about PMA? The “excruciatingly slow” progress on developing a consensus for agriculture modernisation was important; to see why, one needs to compare the current PMA with the document which was produced in 1997/98 called “operationalisation of the Medium Term Plan for the Modernisation of Agriculture in Uganda 1997/98–2001/2002”. There is a whole world of difference and the current PMA is vastly improved in quality, vision, clarity and focus on natural resources-based livelihoods of farmers. In developing the consensus over the vision, objectives, and programmes in the PMA, the process issues were as important, and some have said more important, than the PMA document itself.

P.41 Para 5.7 Five lines into the para, the word “fully” needs to be put into the sentence to read “. . . They have not fully brought into the country agenda . . .” Also, the following sentence should start with the word “Most” to read “Most donors are . . .”

P.42 The paragraphs on IDA’s strengths sit uneasily with the much vaunted requirement of country ownership of reforms.

In para 5.10 “in recent years, it has shown great sensitivity in not thrusting its reform ideas on the Government” sits uneasily with the penultimate sentence of para 5.13.

Para 5.15 I would not agree that IDA is either over extended or that it is chasing too many separate goals and subgoals. How does one square this claim with the need for a Comprehensive Development Framework?

Para 5.19 The sentence which begins in line 6 with “IDA has tried . . .” needs to recognise the economic planning role of MFPED not just its role as “guardian of the budget.”

Para 5.23 The claim that “IDA’s lending performance has had marginally satisfactory outcomes” is extraordinary given Uganda’s success in the macroeconomic and structural reforms and Uganda’s record on economic growth and poverty reduction, which can in a large measure be attributed to structural adjustment lending.

Para 5.25 The claim that the sustainability of future reform and the economy’s pace of growth and poverty reduction is uncertain is not adequately justified. Does the OED expect a change of Government after the elections? Does OED think that utility reform, commercial justice reform, financial sector reforms, and the Plan for Agricultural Modernisation will not be implemented?

Comment on report extract on Privatisation and Public Enterprise Reform programme

From the outset, the outcomes in the report are factually wrong and very misleading in a number of areas. There are a number of statements that are not accurate and on the overall the Report does not recognise all the positive steps that have taken place in the Public Enterprise Reform and Divestiture. Some of the major achievements to date include:

- Establishment and enactment of the PERDS Statute with regard to the Government Policy on Divestiture and Reform, and subsequent amendment to further streamline the process.
- Divestiture of over 90 public enterprises to date.
- Reduction of government subsidies by 48% within a three year period (1995–98).
- Public awareness of the privatisation program and enhanced transparency.
- Creation of the Communication Act and successful restructuring of the UPTC, establishment of the Regulator and re-launch of a successful privatization of UTL.

- Establishment of the Electricity Act in respect to divestiture of the UEB

The above could have not been achieved if a well-structured project and Government commitment were not in place.

The following is response to the specific issues raised in the report:

1. The projects’ objectives assumption that PE reform would be more cost-effective than divestiture was flawed.

The Project objectives were in line with specific Government policy of divestiture and reform with respect to the socio-economic conditions of the country at that time. The Government as the main employer of the Ugandan work force was not in a position to instantaneously dive into a full divestiture program which required among other things enormous sums of money for re-trenchment of employees and retraining costs. As a result, the Project provided for a restructuring component in the interim period to ensure that in the short term, efficiencies are gained in PE operations and in long term the burden of subsidies are reduced.

The project was guided by the above Government policy objectives, later captured in the PERD statute (1993) that provided the legal framework for implementation of the Public Enterprise Reform & Divestiture Program. The Schedule 1 of the PERD Statute classified enterprises into five categories in which Government would retain 100% in Class I, Majority Class II, Minority Class III, Class IV for complete divestiture, Class V for liquidation. A bulk of medium-to large-scale enterprises were in Class I (including UEB, NWSC, URC) & Class II (including UPTC, NIC, UCB, UDC, Kinyara, UPPC, NVPPC, NHIL, Apollo) in which Government was to retain ownership in the medium to long term. **A component of restructuring was therefore included in the credit for interim restructuring of PEs in these categories.**

2. The projects set-up a complex institutional structure.

The institutional structure set-up pre-PERD Statute was to address the development of APPERD under PEP that was largely successful. The im-

plementation was consultative and therefore included all the stakeholders. **In 1995, the Presidents directive streamlined the implementation framework—abolishing the Policy Review Working Group and introducing a new function (PMU) to monitor financial flows between Government and the PEs.**

3. Neither of the projects assessed the commitment to divestiture within GoU and civil society and it was only until late 1998 that IDA organized a Parliamentary Workshop on Privatisation.

The Project at all times had the involvement of the key stakeholders and the Parliament was involved throughout the process. Initially this was done through DIC, and later through establishment of DRIC. Furthermore, a number of workshops were held with Parliament during the development of the PERD statute. Subsequently, seminars and workshops were held with opinion leaders and civic society. As part of the reorganisation following the presidential directive in 1995, an intensive PR campaign was undertaken (using an internationally renowned PR firm) which did see improvement in the public perception on privatisation. **The firm carried out four surveys (over a 2 1/2 year period) to assess public perception and economic impact of the process, and also assessed public interest/understanding of IPOs (in preparation than for UGMC listing).**

4. The Public Enterprises Project didn't provide macro-economic, sectoral, or other strategic criteria for selecting PEs for restructuring/divestiture nor technical guidelines.

PEP primary output was the Action Plan for Public Enterprise Reform and Divestiture (APPFRD). Under PEP, the Privatisation Advisor (DTTI) assisted in preparing procedures and finally in the drafting of the PERD Statute, that was changed after debate in parliament. Schedule 2 of the PERD Statute sets out divestiture guidelines besides the other provisions in the statute for implementation of reform and divestiture. Schedule 1 set out the classification criteria—PEs for restructuring were those to remain under

Government ownership in the medium to long term (typically Class I & II).

5. Subsidies high at 4.5% of GDP in 1994.

Subsidies remained high in the earlier years because Government focused on divesting industrial PEs (Class IV) to demonstrate examples of divestiture. The bulk of subsidies (more than 75%) is from Utilities, which were in Class I, and the other medium scale PEs in Class II. The first reclassification took place in 1997 (instrument #14) but still left all utilities in Class II (Government to retain majority). **Nonetheless, following project restructuring in 1995, and with the establishment on the PMU, subsidies were reduced by 48% between 1995 and 1998.**

6. Program suspended twice.

The reform and divestiture program was suspended once in 1993 to put in place a legislative framework; The project was restructured in Jan 1995; In August 1998 parliament passed a resolution suspending new divestitures (not the whole process) to allow for parliamentary review of the divestiture process.

The program was put on hold once by the NRC in 1993 to ensure Government put in place a proper legislative framework for the process. The program resumed after the enactment of the PERD Statute (Sep 93).

The Presidential directive of Jan 4, 1995 did not suspend the programme, but called for the restructuring of the implementing units (and reaction of the PMU), and abolished the PRWG. It also called for reclassification of PES (removing Class III), and set a new output of 85% of divestitures by 1997. It is a fair assumption that this restructuring was a result of the ESW study done in 1994 and the concerns by Government over speed of the process.

In August 1998, the operations of the Project and the programme were not suspended, but a resolution was passed to defer divestiture of new enterprises not on the action plan. This was to allow for investigation of transactions that had caused public call for review. The select committee on privatisation was to undertake investigations and recommend actions to help improve the process.

The preliminary report of December 1998 requested more time to complete investigations. On UCB, it recommended that officials and other individuals responsible for fraudulent contract with Westmont be prosecuted. The Minister in Charge of Privatisation tendered his resignation then.

The CID investigated the UCB divestiture and is now prosecuting the former MD of Greenland Bank for financial loss arising partly from the UCB transaction. The CID established that Westmont and Greenland Bank acted contrary to the agreements. The investigation only noted that public officials were negligent during the UCB transaction.

The final report from the select committee presented in December 1999 called for the amendment of the PERD statute which was passed in Jan 2000. The report did require more transparency and efficiency in the sale of upcoming larger PEs, and more public participation in ownership.¹ The PERD statute amendment does recognise the procedures manual as a supplement to the procedures in the 2nd Schedule. The procedures manual was launched in May 1999.

7. The committee found evidence of mass corruption in privatisation of UCBL.

At no time was there evidence of grand corruption or misuse of divestiture funds identified in the internal operations of the Project as purported by the report. During its June 1999 review, the central bank discovered irregular lending by Greenland Bank and noted a suspect relationship between Greenland Bank and UCB—Greenland Bank was insolvent. The central bank intervened and took over Greenland in November 1999. It was during this intervention that the BoU found evidence that Greenland had lent Westmont money to purchase UCB. Shortly after, BoU intervened in UCB too. The findings of the BoU were disclosed to the committee during the investigation—BoU intervened in the banks as part of its regulatory role.

Government is currently prosecuting Westmont and Dr. Kigundu, Managing Director, former Greenland Bank.

Conclusion

To date, over 90 PEs have been divested. The larger entities remained under Government as

provided for in the PERD statute 1993. These have now been reclassified and reform activities have commenced in earnest:

- The Communications Act led to the demopolisation and asset unbundling of the state monopoly (UPTC). UTL (the successor telecom company) is being privatised in a highly acclaimed transparent process by end June 2000.
- The Electricity Act now sets out the regulatory environment and structure of industry—reform and divestiture are advanced and expected to complete in 2001.
- Government has approved a policy for private participation in Railways, now under implementation.

The dialogue with Parliament has been an ongoing process not only at the level of reporting which is a statutory requirement, but in approval where legislative reform is required for the program and specific divestitures.

With legislative amends and institutional reforms, the Enterprise Development Project has achieved its objectives. In light of the improved performance of the project, enhanced transparency, and renewed Government commitment in the divestiture and reform program, a new credit has been approved to complete the privatisation of the remaining commercial PEs and undertake utility reform and divestiture.

Finally, while the Parliamentary Select committee report has been used to portray a negative outcome of the process, my reading of the same report does give a more positive outcome (attached is the conclusion of the Committees final report)—quote:

“In the divestiture process we have had sales which, on the face of it looked unfavorable, but for us to appreciate the total impact of the sale, it is necessary to look at the total benefit to the economy of these sales.

- i) Increased efficiency and production output . . .*
- ii) Increase in employment levels . . .*
- iii) Payment of terminal benefits . . .*
- iv) Increased tax base . . .*
- v) Subsidy reduction . . .*

The main advantages therefore of the divestiture programme have been the forward and backward linkages to the economy rather

than the direct immediate monetary benefits after sale . . . ”

The statement in page 131 of the report with respect to the use of divestiture proceeds, does not refer to abuse but rather to the settlement of professional fees and statutory costs—which are allowable under the PERD statute as divestiture costs.

From above, it is quite evident that the report was biased, not well researched and wanting in a number of areas.

Notes

1. The first PE was listed in the stock exchange later in the year—preparations had commenced as early as 1996.

ANNEX 1.3 UGANDA—POLICY, PARTICIPATION, PEOPLE: AN OVERVIEW FROM THE CODE CHAIRPERSON

On October 25, 2000, the Committee discussed the OED report *Uganda Country Assistance Evaluation (CAE)* (CODE2000–66). The primary purpose of the discussion was for CODE to provide OED and Management with its views on the findings and recommendations of the report in anticipation of the Board’s consideration of the Uganda country assistance strategy (CAS) (scheduled for November 16, 2000).

The Committee welcomed the timing of the CAE and thanked OED for a comprehensive and thorough review of IDA’s assistance program to Uganda. The Committee also welcomed the participatory approach used to capture stakeholder perceptions of the Bank’s assistance presented in the accompanying volume, “Uganda: Voices of Stakeholders.” The Committee commended Management and staff for the significant contributions of the IDA program to the country’s development outcomes and noted Management’s broad concurrence with OED’s recommendations. It supported the report’s main recommendations, while emphasizing the need to increase government accountability and transparency and to reduce persistent regional economic disparities.

Report Highlights

The CAE assesses IDA’s assistance program to Uganda over 13 years (from the end of 1986 to FY99). IDA is the largest lender to Uganda. The report concludes that IDA assistance made significant contributions to the country’s development outcomes in a number of areas, especially with regard to undertaking superior economic and sector work (ESW) and promoting high quality policy dialogue. The report found that IDA’s macroeconomic reform program has been highly relevant and instrumental in acquiring debt relief; successful in supporting implementation of the CDF and promoting participatory processes; and has contributed substantially to reducing poverty. Good progress was made in some areas of institutional development (budget reform) but less so in others (civil service reform, capacity building, and decentralization). Though

IDA’s effort to improve the policy environment for private sector development, support privatization, and reform the financial sector were highly relevant, outcomes were only partially satisfactory, partly because of political interference and slow implementation. The CAE concludes that the overall outcomes of IDA’s lending program have been satisfactory and makes a number of recommendations for future areas of IDA focus including building on the CDF; developing more comprehensive sector strategies; reducing regional and economic disparities; and enhancing good governance.

Lessons for the CDF

The Committee noted the impressive results in improving aid coordination and in creating strong partnerships in country with donors and between the Bank and the Government. They attributed these results to the innovative approaches used; strong leadership and commitment of Management in the Africa region; the risks the team took; and capacity to admit errors and to adjust, and suggested these positive lessons be shared with other countries implementing the CDF. One speaker noted that useful lessons could also be distilled for future IDA programs in areas where there were significant differences between Government and the OED report, for example around the privatization process. The Committee strongly suggested that OED evaluate the quality of partnerships as part of the CAE process. OED informed the Committee that the Government’s comments on the report’s privatization findings pertain to developments that occurred after the report was drafted. OED assured the Committee that the report’s overall findings would be an input into the CDF evaluation.

Is Uganda a Good Case of Pro-poor Growth?

The Committee asked if more could be said about the causes of good performance, in particular, how much of Uganda’s success (in terms of level and quality growth) could be attributable to good IDA performance, as opposed to the

IMF's structural adjustment programs and/or implementing the Comprehensive Development Framework. The Committee requested that the role of IDA be more carefully distinguished in country assistance strategies (CASs) and (CAEs) in the future. OED noted that the report had focused more on those aspects that fell within IDA's purview. Management noted that Uganda held some good examples for pro-poor growth but also noted that special targeted support from IDA was needed to ensure that regional disparities arising from the distribution of the gains from that growth were reduced.

Governance and Accountability

The Committee overall felt that the Bank had not yet found an effective mechanism to address governance and corruption issues and emphasized the need for improvements in the areas of transparency and accountability. Speakers were concerned that 60 percent of donor funding was disbursed outside of government budgetary channels and asked if this was the case with IDA. Other speakers were concerned about the level of defense-related expenditures and their impact on poverty reduction and long-term sustainable growth. Management informed the Committee that although most donor funding was outside of budgetary channels, this was not the case for IDA.

Focusing IDA Assistance

Executive Directors noted that IDA assistance appeared to be more successful in addressing broader issues at the macro level than addressing those at the sector and project level (design, implementation, etc). Some members of the Committee emphasized the need for more efficient and effective sector-wide approaches and would look to the upcoming CAS to expand on the implementation aspects. Committee members also emphasized the need for progress in the privatization process and private sector development in general. Management agreed that a programmatic approach would need to be complemented by targeted interventions to address

regional and economic disparities and that this called for a focus on implementation. It also informed the Committee that, with regard to privatization, there had been significant developments over the last six months particularly, the sale of the Telecommunications Company and preparations for the sale of the Electricity Company.

A Rural Development Strategy

The Committee noted that even though agriculture's contribution towards GDP appeared to be declining, it was still a key sector and emphasized the need for a more consistent agriculture and rural development policy from a growth and a poverty perspective.

A Regional Perspective

One speaker wanted to know IDA's role in addressing regional issues that impacted on the country and asked OED to consider including this regional perspective in future reviews.

Bujagali Fall Hydro Electric Project

One member asked Management to brief the Committee on the proposed Bujagali hydroelectric power project. Management noted that this was a difficult but necessary project given that hydroelectricity was the only viable energy source. An environmental assessment was underway, as were extensive consultations with NGOs.

Management reassured the Committee that it had internalized the findings, both from the extensive consultations conducted within Uganda and from the analysis by OED and had considered them when developing the current CAS.

Next Steps

Executive Directors will have an opportunity to discuss these and other issues when the Board reviews the Uganda CAS in November.

*Pieter Stek
Acting Chairman*

ANNEX 1.4 COMPLEMENTING IDA'S PRIVATE SECTOR DEVELOPMENT STRATEGY: THE ROLE OF THE IFC, THE FIAS, AND MIGA

The International Finance Corporation (IFC), Foreign Investment Advisory Service (FIAS), and Multilateral Investment Guarantee Agency (MIGA) have complemented IDA's efforts to promote a conducive environment for private sector development (PSD). Strategy development in the three institutions has also become more consultative in recent years.

The IFC's committed portfolio in Uganda (as of end-December 1999) amounted to US\$43.4 million in equity and loans, or about 4 percent of the IFC's investments in Africa. Over the years, the IFC's objective has been to support Ugandan PSD through project financing, capital market development, and advisory services. With these ends in mind, the IFC invested directly in agri-business, manufacturing, telecommunications, and financial services and, through the Africa Enterprise Fund, supported small projects in fishing, flower and sack production, private schools, hotel apartments, and office blocks. Advisory services included cotton ginneries, telecommunications, and the stock market. The IFC also worked with IDA in designing the Private Sector Competitiveness Project and restructuring and privatizing public enterprises. IFC's involvement in the telecommunications sector epitomized its approach. Since 1994, it had provided loans and equity investments to the first cellular operator in Uganda, Celtel Ltd., which now serves over 20,000 customers. In February 2000, the IFC oversaw the privatization of Uganda Telecom Ltd., to which it had been providing ad-

visory services, in a process widely regarded as one of the fairest and most transparent in Africa.

In 1998, the IFC reassessed its strategy in Africa and outlined key areas of intervention in each of its client countries for the next three years to enable it to complement IDA's efforts to build physical and financial infrastructure and promote entrepreneurship. Its FY99-01 objectives for Uganda are to help build institutions in the financial sector, promote small-scale manufacturing, rehabilitate existing assets, build infrastructure (in power and telecommunications) and promote agribusiness and tourism.

The FIAS has worked in Uganda since 1990, complementing IDA's focus on the regulatory framework and institutions (primarily the Ugandan Investment Authority) governing investment in Uganda. It has prepared diagnostic reviews of the investment climate and administrative barriers to private investment (1990 and 1997) and recommended changes in the investment law (1998). MIGA has contributed to strengthening Uganda's business environment through TA, investment promotion, and investment insurance. MIGA guarantees totaling about US\$60 million (as of December 1999) have facilitated foreign investment (of more than US\$111 million) in mining (particularly cobalt), agribusiness, telecommunications, manufacturing, tourism, and infrastructure. MIGA has also helped the Ugandan Investment Authority to promote investments by setting up online systems for tracking investors and privatization.

ANNEX 1.5 BANK MANAGEMENT FOR UGANDA, 1990–99

Year	Vice President	Country Director	Country Operations Division Chief	Resident Representative
1990	Edward V.K. Jaycox	Callisto E. Madavo	Kingsley Y. Amoako	Grant Slade
1991	Edward V.K. Jaycox	Callisto E. Madavo	Michael F. Carter	Seung Hong Choi
1992	Edward V.K. Jaycox	Francis X. Colaco	Michael F. Carter	Seung Hong Choi
1993	Edward V.K. Jaycox	Francis X. Colaco	Michael F. Carter	
1994	Edward V.K. Jaycox	Francis X. Colaco	Michael F. Carter	Brian Falconer
1995	Edward V.K. Jaycox	Francis X. Colaco	Michael F. Carter	Brian Falconer
1996	Callisto Madavo	James W. Adams	Brian Falconer	
1997	Callisto Madavo	James W. Adams	Brian Falconer	
1998	Callisto Madavo	James W. Adams	Randolph P. Harris	
1999	Callisto Madavo	James W. Adams	Randolph P. Harris	

Source: World Bank.

ENDNOTES

Chapter 1

1. Coffee exports constituted 95 percent of total exports. See Sharer, Zoysa, and McDonald (1995).

2. The Ministry of Finance was merged with the Ministry of Planning and Economic Development in 1993, split in two in 1996, and then remerged in 1998. Unless otherwise noted, the ministry is referred to as MFPEd throughout.

3. Import bans were lifted, maximum duties were lowered, the number of tariff bands was reduced, and intraregional trade barriers were lowered in line with the Cross-border Initiative and the Common Market for Eastern and Southern Africa.

4. Priority program areas included agricultural extension, primary health and education, feeder roads, and water and sanitation.

5. PAF is made up of savings resulting from Uganda's access to debt relief under the Highly Indebted Poor Countries (HIPC) Initiative. See Goetz and Jenkins (1998).

6. The two projects were the Program for Alleviation of Poverty and Social Costs Adjustment (PAPSCA) and the Northern Uganda Reconstruction Programme (NURP).

7. Goetz and Jenkins (1998) point out that in theory, "Decentralization is intimately (if indirectly) bound up with the objective of eradicating poverty." For a discussion of decentralization as an element of the government's gradual, although uneven, process of political reform, see also Harvey and Robinson (1994).

8. Collier (1996) draws attention to the relationship between improvements in the institutional investor's risk ratings and inflows of private capital into Uganda and points out that Uganda's risk ratings, although improving, are clearly out of line with its performance.

9. The liberalization of the foreign exchange market and the abolition of the coffee marketing monopoly were resisted by vested interests in the government, the army, and institutions in the coffee sector, but the contraction of economic activity following the war meant that, unlike other liberalizing economies, there was little popular opposition. See Harvey and Robinson (1994, p. 3) and *Voices of Stakeholders—Focus Group Perceptions of the World Bank's Country Assistance Strategy*, Part 2 of this volume.

Chapter 2

1. IDA relied on studies such as the 1983 energy and 1986 industry studies, the Bank's *World Development Report*, policy papers, best practice assessments of education and health, and Bank *Operational Manual* statements such as that on energy. Critics have faulted IDA for its one-size-fits-all adjustment policy prescriptions. See *Voices of Uganda Shareholders—Focus Group Perceptions of the World Bank's Country Assistance Strategy* (hereafter *Voices*), Part 2 of this volume.

2. Formal ESW reports include, in the macroeconomic area, the Country Economic Memorandum (1995), public sector expenditure reviews (1994 and 1998), and a tax study (1999); in sectoral areas, studies on agriculture (1998), decentralization (1998), education (1999), education and health budgets (1998), financial strategy (1995), gender and law (1998 and 1999), governance (1999), health access (1998 and 1999), poverty analysis (1996, 1998, and 1999), power (a 1996 study on the Energy Systems Management Assistance Program), and service delivery (1998). While the ingenuity of the staff working on Uganda has to be commended, the cutbacks in formal ESW resources suggest that they had to go to great lengths to organize and manage joint research instead of devoting their resources to building knowledge on Uganda.

3. Holmgren and others (1999, p. 37) discuss the role of nonfinancial aid. See also chapter 2 of *Voices*. Participants in OED's core government and donor focus groups were particularly appreciative of the Bank's analytical work.

4. *Voices* refers to Part 2 of this volume.

5. The 1991 Country Strategy Paper stressed private sector development, and the 1992 Policy Framework Paper stressed public sector management reforms.

6. An interviewee, cited in Holmgren and others (1999), described the dialogue as follows: "In the early days of the NRM [National Resistance Movement], IMF and the World Bank more or less ran a macroeconomic classroom with the president."

7. The number of groups grew from about three in early 1997 to about seven in 1999.

8. The next-largest creditors are non-Paris Club bilateral donors and Paris Club and commercial club creditors.

9. The Debt Reduction Facility provided a grant of US\$13.7 million to Uganda; the grant agreement called for US\$10 million to be contributed from the International Bank for Reconstruction and Development's FY89 net income and up to US\$3.7 million by the governments of the Netherlands and Switzerland. The Ugandan government also received direct cofinancing commitments from the European Union (US\$4 million equivalent) and the government of Germany (US\$5 million equivalent). With this assistance, the government of Uganda was able to buy back US\$153 million (of the total eligible debt of US\$188 million) at an 88 percent discount. As a result, most of Uganda's commercial debt was eliminated (Kapur 1995).

10. See the project summary of Power III attached to IDA (1998).

Chapter 3

1. SAC I was clearly the flagship of IDA's assistance strategy. The only significant shift in SAC II's focus was in further liberalizing coffee and cotton marketing and restructuring cotton ginning.

2. Under the IMF's Structural Adjustment Facility (SAF), Extended Structural Adjustment Facility, and compensatory financing facility, about US\$450 million was disbursed between 1987 and 1994. See Sharer, Zoysa, and McDonald (1995).

3. The Agricultural Sector Adjustment Credit and Cotton Sector Development Project aimed to diversify agriculture and liberalize coffee and cotton marketing; the Financial Sector Adjustment Credit (FSAC) sought to correct banking system weaknesses and liberalize interest rates; the Public Enterprise Project and the Enterprise Development Project helped restructure and privatize public enterprises and free public resources.

4. Peace has accelerated Uganda's recovery, but the 1997 Collier and Pradhan analysis of the "peace effect" concluded that notwithstanding the 7 percent growth rate achieved between 1986 and 1994, this was a period of "atypically slow reconstruction" for an economy that had suffered such a long period of disturbance.

5. In the first five years, IDA largely relied on the *World Development Report*, Bank policy papers on education and health, informal back-

ground papers for credits, government policy studies financed through the ministries of education and health, and the task force of government's Agricultural Policy Committee.

6. The projects were Agricultural Extension; Agricultural Research and Training; a follow-up, second-credit Small Towns Water and Sanitation; and Transport Rehabilitation.

7. These included projects for Agricultural Extension, Agricultural Research and Training, Livestock Services, Small Towns Water, District Health, Sexually Transmitted Infections, and Primary Education Teacher Development.

8. IDA's experience with universal primary education in Malawi and Tanzania, where enrollments, after initially surging, had fallen in the face of financial stress and declines in educational quality, gave IDA pause about pushing for it too soon.

9. IDA is now awaiting the results of an ongoing OED audit on NURP to clarify governance issues connected with the project before resuming work on NURP II.

10. Through the Poverty Action Fund (PAF), the government has made information on its poverty program publicly available to enhance accountability and transparency. All PAF resources are published in the media. Lower levels of government (districts, schools, and health care centers) are supposed to display PAF allocations in public places. See IMF (1999).

11. The regional disparities are especially worrying in the context of the conflict in Uganda's north and northeast, where "a sense of grievance persists" that the government is not doing enough for a disaffected population, who hailed from these areas. See OED (2000).

12. Female illiteracy stood at 30 percent in the central region but was markedly higher outside (52 to 64 percent).

13. The long process of consensus building has vastly improved the quality of the agricultural modernization plan and the clarity of its vision, objectives, and programs. Thus the process has been as important as the content of the plan.

14. The government notes in Annex 1.2 that the development of a treasury bill market and the availability of foreign exchange reserves

have recently allowed the authorities to smooth expenditures in the face of shocks to donor aid.

15. See E. Tumusiime-Mutebile (1998, para. 2.e).

16. The FY98 deviation of outturns from commitments was as high as 25 percent, exactly equal to the strategic expenditure reallocation to the government's priority sectors approved by the Cabinet for the three-year planning period.

17. IDA also approved EFMP II in December 1999.

18. The TA components of investment projects generally aimed to strengthen economic and financial management systems in line ministries (health, agriculture, water, and local government); improve management, accountability, cost recovery, or budget policies in institutions transferred to local jurisdictions (health); reinforce institutional processes and organizational structures for service delivery (agricultural extension and research and training); pilot management capacity improvements in districts (feeder roads); support capacity building in service user or provider communities (water users and local road contractors); and provide training and consultants.

19. Implementation completion reporting for EFMP.

20. This assessment reflects the conclusions of the EFMP reports. It is important to point out that the outputs of key reforms relevant to the central budget, financial management, and cash management were not achieved. Even the satisfactory outcome is, in part, the result of "bandaids" applied by the MFPEd.

21. To improve civil service quality, TA III and EFMP also funded returning Ugandan expatriates and recruited qualified local Ugandans into the Bank of Uganda.

22. Reforms for improving transparency included revising the civil service standing orders, introducing civil service examinations, implementing a Code of Conduct, and strengthening the Ministry of Public Service Department of Inspection.

23. The GOU appointed a Public Service Review and Reorganization Commission (1989–90) to determine key government issues, form a vision for the civil service, and develop an action

plan for reform. A Civil Service Reform Program was introduced in 1990 and a government White Paper was approved in 1991. However, implementation of CSR moved slowly. See Langseth (1995, pp. 4–6).

24. IDA's report, prepared by the Uganda Manufacturers' Association Consultancy and Information Services Limited (1998), refers to the persistence of moonlighting and clientilism in the Ministry of Natural Resources.

25. Initially, the government adopted a minimum wage concept, but it failed to motivate staff or decompress the salary structure.

26. IDA's District Management Study catalyzed donor assistance, particularly from the Danish International Development Agency.

27. EFMP II, approved in December 1999, will carry forward IDA's efforts to improve accountability, information management, and reporting systems across all levels of government.

28. The mission found evidence of corruption in revenue collection, public procurement, the public payroll, service delivery, the regulatory framework, privatization, utilities, the financial sector, the legal and judicial systems, politics, and the military.

29. The Public Enterprise Project had at least three implementing agencies and the Enterprise Development Project (EDP), seven; three ministries were responsible for core agency coordination; and EDP had two interministerial technical and policy review committees. In 1995, the presidential directive streamlined the implementation framework, abolishing the Policy Review Working Group and introducing a Project Monitoring Unit to monitor financial flows between government and the public sector.

30. A mere 10 of the 60 public enterprises then identified for divestiture had been privatized or liquidated.

31. The major weakness was the political interference of the ministerial committee, the Divestiture Review and Implementation Committee, in overturning technical recommendations for privatization. The report confirmed other weaknesses: absence of specific divestiture policies, questionable use of divestiture proceeds, resistance to divesting key governmental relationships, poor intergovernmental coordination,

insufficient skills and expertise, inadequate public enterprise information, and poor transparency.

32. These new enterprises include boards, authorities, other regulatory or promotional agencies, and donor projects.

33. The government owned the two largest commercial banks—the Uganda Commercial Bank and the Cooperative Bank, which accounted for almost 60 percent of bank deposits—and most insurance companies and development and investment banks.

34. Some policy reforms (interbank markets and reserve money instruments) could not take off while bank portfolios remained weak, banks bid up interest rates through adverse client selection, and demand for money market instruments remained negligible.

Chapter 4

1. These crises occurred when a *dirigiste* reform program was adopted against IDA's advice, ERC II and SAC I went off track, the privatization program got derailed not once but twice, and the financial sector needed refocusing.

2. The Financial Sector Adjustment Credit, approved in March 1993, ran into heavy weather by 1994, but it was only in 1995 that IDA carried out a second review of the sector. IDA lost almost three years between the approval of Power III (FY91) and discussions of the 1996 ESMAP before it proposed reforms required for private participation in power. The Public Enterprise Reform Program floundered even after the Enterprise Development Project was made effective in FY92, but it was not until fall 1994 that an IDA mission called for a complete refocusing of the program on privatization.

3. Decentralization policy was adopted in 1993, but it was only in FY95 that IDA tentatively started to address local government issues in its capacity building and health projects, and it was not until December 1999 that the first true local government project, the LGDP, was approved. Poverty issues had been flagged in the 1993 CEM poverty assessment, but they were not reflected in country strategy until the 1997 CAS.

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PART 2

VOICES OF UGANDA STAKEHOLDERS

FOCUS GROUP PERCEPTIONS
OF THE WORLD BANK'S
COUNTRY ASSISTANCE STRATEGY

Jayati Datta-Mitra
Janet Mancini Billson



HIGHLIGHTS: THE BANK'S CONTRIBUTIONS, SHORTFALLS, AND LESSONS LEARNED

I can't see [Donor X] at the present time having the guts to conduct this kind of meeting, inviting criticism, so you have to be congratulated for that.

What you [the Operations Evaluation Department] are doing is very critical... We would like to know that some of the ideas we give you have been ... passed on.

This report presents the findings of participatory stakeholder discussions of the World Bank's assistance to Uganda, conducted in January 1999 as part of the Operations Evaluation Department's (OED) Country Assistance Evaluation (CAE), which forms Part 1 of this volume. While OED CAEs generally filter stakeholder perspectives through an OED/Bank optic, this report tries to capture and convey the intensity and richness of participant perceptions through quotations and paraphrasing. Authenticity was also preserved by relying on an independent consulting firm, Group Dimensions, to tape and transcribe the sessions.

The participatory discussions involved 70 participants in seven focus groups covering the major stakeholders in Uganda—the Government of Uganda (GOU, both core and line ministries), civic leaders, nongovernmental organizations (NGOs), the private sector, and donors' heads of mission and sector specialists (table 6.1). The focus group exercise had the same objective as the CAE: to assess Bank assistance to Uganda since 1986, in the form of policy advice, lend-

ing (both project and adjustment support), technical assistance, and aid coordination. The participants were asked to identify both successes and shortfalls in country and Bank performance, future challenges, and lessons learned that might improve future performance.

While the seven groups acknowledged the Bank's contributions, eagerness to look to the future focused the discussion on the Bank's perceived shortfalls and the challenges ahead. This is to be expected in Uganda. The agenda adopted over time by the GOU—rehabilitation and recovery, stabilization and adjustment, civil service reform, decentralization, poverty eradication, universal primary education—has been so ambitious and complex and Ugandans so engaged in the public debate on the country's future, that it would be simplistic to expect that the Bank's response to this agenda would have escaped critical comment. What is remarkable, given that the participants were not by any means statistically "representative" of their constituencies, is the significant consistency of as-

Table 6.1

Stakeholder Constituencies Participating in Focus Groups

Constituency	Number of people in focus group	Affiliation of participants
Core government officials	11	Bank of Uganda; Ministry of Finance, Planning, and Economic Development; Ministry of Local Government; Ministry of Public Service; Ministry of Tourism, Trade, and Industry; Private Sector Foundation.
Line ministries	11	Agricultural Policy Secretariat; Ministry of Agriculture, Animal Industry, and Fisheries; Ministry of Education and Sport; Ministry of Health; Ministry of Work, Transport, and Communications; NARO; National Environmental Management Authority (NEMA) ^a , National Water and Sewer Corporation; Parastatal Monitoring Unit of the Enterprise Development Project.
Civil society	7	Member of Parliament and representatives from East African International Development Consultants, Makerere University, New Vision, Transparency International, and Uganda Economics Association.
Nongovernmental organizations	4	Action Aid, National Association of Women’s Organizations in Uganda, Uganda National NGO Forum, and Uganda Women’s Network.
Private sector	16	Ban Café Ltd.; Federation of Ugandan Consultants; Nile Bank; Omni Fashions; Pan World Insurance Company; Stanbic Bank (Uganda) Ltd.; Uganda Clearing and Forwarding Agents Association; Uganda Coffee Trade Federation; Uganda Floricultural Association; Uganda Importers, Exporters, and Traders Association; Uganda Manufacturers Association and Simba Blankets Ltd.; Uganda National Chamber of Commerce; Uganda National Farmers Association; Uganda Small Scale Industries Association.
Donor heads	9	Danish Embassy, French Trade Commissioner’s Office, German Embassy, Italian Embassy, The Netherlands Chargé d’Affaires Office, Norwegian Embassy, Swedish Embassy, United Nations Fund for Population Activities (two participants).
Donor sector specialists	12	Danish International Development Assistance, Delegation of the European Union, U.K. Department for International Development (two participants), Food and Agricultural Organization of the United Nations (two participants), Royal Netherlands Embassy, Norwegian Agency for International Development, Norwegian Embassy, United Nations Development Programme, U.S. Agency for International Development, World Health Organization.

a. NEMA was initiated by the government in 1996 and is a statutory agency. For the first five years, NEMA is supported by a Bank credit under the Environmental Management Capacity Building Project.

Source: Compilation of focus group data.

assessments among groups with similar interests and experiences (see tables 6.2–6.4).

Key Lessons

- *The Bank needs to listen better, respect local ideas and expertise*, and engage in even wider consultations with stakeholders (including NGOs), particularly at the sector, project, and district levels.
- *Agricultural growth, smallholder development, and commercialization are critical to Uganda’s future progress and to poverty reduction*. Even as it fosters the commercialization of cash crops, the Bank should adopt

an integrated strategy for promoting smallholder development—building infrastructure, encouraging technological research attuned to the needs of small farmers, rebuilding extension services, and developing markets for smallholder produce.

- *To eradicate poverty, the Bank should focus on reducing disparities* (urban/rural, regional, and gender), targeting the very poor, and plugging leaks in service delivery by transferring delivery to the private sector.
- *The Bank needs to adopt an integrated, holistic approach to sector development* (agriculture and infrastructure), governance, and

private sector development—a recommendation that amounts to an implicit endorsement of the Bank's new Comprehensive Development Framework.

- *Liberalization of markets is necessary but not sufficient for private sector development.* Future development of the private sector in Uganda is predicated on massive investments in infrastructure, efficient and transparent privatization, an expanded role for the private sector (including NGOs) in the provision and financing of public goods, financial sector reform, and a regulatory framework that fosters competition.
- *To promote governance, the Bank should enlist civil society allies.* To promote governance, transparency, and accountability, the Bank needs to be more transparent about its own agenda and enlist civil society allies in its fight against corruption by involving stakeholders in independent monitoring and evaluation of Bank programs. The Bank needs to fight corruption as it fought AIDS—with a massive public information campaign. To generate reliable public information, the Bank needs to support data collection and analysis.
- *The Bank needs to stand tall in promoting enforcement* of the prosecution and punishment of corruption.
- *Pay reform is the key to improving efficiency and capacity in the public sector.* Improvements in public sector efficiency are being held hostage to pay reform. Pay increases would be feasible even within existing revenue constraints if they were accompanied by wage compression measures and if remuneration for scarce skills were aligned to market wages.
- *The Bank should address decentralization in depth*—to engage district and grassroots leaders in assessing local needs within the context of Ugandan priorities, foster a constructive relationship between district leaders and NGOs, and help district politicians and administrators lead and manage. The Bank also needs to promote stakeholder consensus on how to apply (the now generally accepted) sectorwide approach to development in the context of decentralized decisionmaking.

Research Approach

The Bank's resident mission coordinated recruitment of participants from each constituency. About 30 to 50 percent of potential respondents in each constituency did not attend the focus group, rates typical of focus group recruitment in targeted populations. As far as the researchers were aware, reasons for nonattendance had to do with scheduling conflicts and the weather rather than refusal to participate in the interviews. Several donor agencies did not send participants to either the donor heads or sector specialist sessions.

The OED CAE team and the consultants developed the design of the participatory discussions (Annex 2.1), the focus group interview guide (Annex 2.2), and the seven group protocols together. The nature and purpose of focus groups are described in Annex 2.3. The exercise was conducted by Group Dimensions, an independent research consulting firm with prior Bank experience (Annex 2.4). The focus groups were conducted during four consecutive days in a Kampala hotel (away from Bank or GOU offices) to encourage participation and preserve neutrality. All discussions were taped with respondent permission.

On average, 10 participants took part in each interview (the range was 4 to 16). Questions were tailored to each group; they appear in boldface, in blue, at the beginning of each section of the relevant constituency chapter. Originally scheduled to last two hours, the interviews spilled over to three (and sometimes four) hours. Participants spoke freely, although two OED staff members were present for most of the interviews.

Given the diversity of experience and awareness of Bank assistance among stakeholder groups, the exercise did not rely on a standard protocol but tailored the protocol to specific group interests instead. Nevertheless, most groups touched briefly on the majority of topics as they offered their analysis of major issues, in response to direct questions or follow-up probes.

Focus groups were planned with the help of the Bank's resident mission between December 1998 and January 1999. The research protocols were prepared in January 1999, and focus group discussions were conducted January 19–22, 1999.

Tapes of the discussions were transcribed to facilitate the writing of the report.

All data were gathered and reported according to prevailing standards of respondent protection and anonymity. To maintain confidentiality, this report includes agency, but not individual respondent, names. In addition, wherever possible, identifying information has been eliminated from direct quotes.

Stakeholder Perceptions of Bank Contributions and Shortfalls

In commenting on the assistance strategy adopted in Uganda, focus group participants addressed not merely the Bank's strengths and shortfalls, but on occasion also those of the GOU. The detailed chapters (7 through 13) document their observations. This chapter, however, confines itself to participant views on the contributions and shortfalls of the Bank's assistance alone and the challenges or lessons learned. The "key lessons" presented at the beginning of each chapter offer the lessons identified by each group at the end of each session, as well as a few supplementary lessons identified by the OED team from the group discussions. The chapter pulls together a summary of overall views and also presents the findings of each stakeholder constituency. Tables 6.2, 6.3, and 6.4 document the consistency of views (tabulated by constituency) among stakeholder groups with similar experiences and interests.

Perceptions of the Bank's Role and Strategy

The Bank excels at macroeconomic reform. Participants agreed that the Bank has:

- Supported the right reform objectives (consistent with the objectives of the GOU); Uganda's national vision and broad policy directions are recognized as the most progressive in the Region.
- Played a central role in supporting Ugandan efforts to stabilize the economy and to carry out adjustment.
- Helped repair the environment in which the private sector operates—by liberalizing foreign exchange and product markets (especially coffee and cotton marketing), the trade regime, and interest rates; returning confis-

cated property to former owners; privatizing state enterprises; and introducing financial sector reforms.

- Helped build strong technical teams, particularly in the Ministry of Finance, Planning, and Economic Development (MFPED).

The Bank has also scored some sectoral successes (helping to improve water supply and sewerage, shape national health policy, promote agricultural research), its analytical contributions to sector and budget issues are recognized, and several groups acknowledged that the Bank is remarkably open to criticism and change.

Nevertheless, participants found that the Bank relies on a "one-size-fits-all" approach to development and ignores the specific social, political, and legal conditions that set Uganda apart from other developing countries. The Bank's neglect of the adverse impacts of liberalization is symptomatic of this monolithic view of development strategy. Other participants felt that the Bank was taking on too many initiatives and spreading itself too thin.

The Bank's approach to agriculture has been fragmented. Once the spate of market liberalization reforms in agriculture was over, the Bank seems to have lost sight of agriculture's key role in reducing poverty and promoting the regeneration of the private sector. Agricultural modernization requires an integrated approach, focusing on research and technology, extension, marketing, and the commercialization of cash crop production, but the Bank's interventions in the sector have been fragmented. Moreover, the Bank needs to listen to farmers when assessing farming needs.

The Bank has not paid enough attention to decentralization. While the Bank has been helping to build district capacities through technical assistance, it has not really addressed "the reality of decentralization" in depth. Decentralization issues range from the need to build leadership capacity and skills at the district level, to the need to promote the formulation of district budget frameworks that mirror and feed into the central budget, to the need to work out a consensus view on how to apply sectorwide approaches in the context of decentralized decisionmaking.

Table 6.2

Stakeholder Views of Bank Challenges by Constituency

Issue	Core government	Line ministries	Civil society	NGOs	Private sector	Donor heads	Donor sector specialists
Assistance strategy							
Respect local ideas, knowledge, and expertise		■		■	■		
Engage in wider consultation/communication with all stakeholders, in project/sectoral discussions		■	■	■	■	■	■
Improve public relations, information, transparency on agenda	■		■	■		■	
Address decentralization in depth	■		■				■
Work out how to promote sectorwide approaches in the context of decentralization	■					■	■
Adopt holistic approaches (to sectors, governance, private sector development, infrastructure)	■	■					■
Develop agriculture: adopt integrated strategy and institutional framework; rebuild extension service	■		■		■		
Extend data collection and analysis		■		■	■		
Use/share lessons of worldwide experience	■						
Portfolio performance							
Ensure more effective/independent monitoring by involving private sector, including NGOs	■	■		■	■		
Improve design/implementation		■		■		■	■
Appoint procurement specialist in resident mission		■	■				
Aid coordination							
Encourage the GOU (MFPED) to coordinate donors		■				■	■
Involve the GOU project "implementers" in donor meetings; encourage Bank missions to interact with local donors		■				■	
Public sector management							
<i>Budget reform</i>							
Review priority program areas; reallocate expenditures to social sectors		■	■				
<i>Tax policy and administration reform</i>							
Use innovative approach to tax policy; improve tax administration	■				■		
Provide better public services as quid pro quo for taxes	■				■		
<i>Civil service reform</i>							
Recognize pay reform as key to successful civil service reform and decentralization	■	■			■		■
Review enclave experience	■	■					■
<i>Technical assistance and capacity building</i>							
Build NGO and district capacity/leadership for decentralization		■	■	■			■
<i>Governance</i>							
Set ethical standards; expose corruption; enforce accountability and punish corruption	■	■	■		■		
Build capacity of institutions fighting corruption		■	■				
Promote role of civil society	■	■	■				

Issue	Core government	Line ministries	Civil society	NGOs	Private sector	Donor heads	Donor sector specialists
Poverty reduction and social development							
Focus on reducing disparities (urban/rural, regional, gender); restore peace in conflict areas	■	■	■				
Plug leakages in service delivery (address “value for money” concerns); transfer service delivery to private sector	■		■				
Recognize that poverty eradication depends on agricultural development	■		■				
Improve coverage, access, and design of education programs	■		■				
Private sector development							
Support private sector as engine of growth, through integrated support to private sector development	■	■					
Develop efficient infrastructure; adopt integrated approach	■	■			■		
Set up regulatory framework (for quality assurance)	■				■		
Clarify objectives and nature of privatization	■				■		■
Improve implementation and transparency of privatization	■				■		

Source: Compilation of focus group data.

Table 6.3

Stakeholder Views of Bank Contributions by Constituency

Issue	Core government	Line ministries	Civil society	NGOs	Private sector	Donor heads	Donor sector specialists
Assistance strategy							
Promoted macroeconomic stability and reform	■		■		■	■	■
Enhanced Ugandan ownership of reform; built good GOU–Bank relations	■		■				
Carries out in-depth analysis	■						■
Becoming more participatory with stakeholders (including NGOs); encouraged local initiative	■	■	■	■			
Took lead in Poverty Eradication Action Plan, Structural Adjustment Participatory Review Initiative, privatization seminars, creating good relationships	■		■	■			
More open to criticism and change	■	■	■				
Aid coordination							
Leadership in donor coordination and partnership	■	■				■	■
Moving Consultative Group (CG) meeting to Kampala a success	■					■	■
Ensured more inclusive CG	■					■	■
CG process less Bank-directed and more consultative	■						■
Public sector management							
<i>Budget reform</i>							
Moved process toward technical/allocative efficiency	■	■					
Broadened the budget process	■	■					
<i>Tax policy and administration reform</i>							
Improved revenue performance	■						
Rationalized and lowered tariffs; brought private sector on board	■						
<i>Civil service reform</i>							
Clarified roles of private sector, public sector, civil society	■						
Restructured ministries; reduced size of civil service	■	■					

Source: Compilation of focus group data.

Table 6.4

Stakeholder Views of Bank Shortfalls by Constituency

Issue	Core government	Line ministries	Civil society	NGOs	Private sector	Donor heads	Donor sector specialists
Assistance strategy							
Is not consultative enough with partners, stakeholders; little debate and dialogue on reform program			■	■		■	■
Public information, transparency lacking on Bank activities			■	■			
Relies on ideology/"one size fits all" approach	■			■	■		■
Ignored adverse impacts of liberalization			■	■	■		
Poor/fragmented agricultural strategy			■		■		
Not enough work on decentralization	■		■				
Too many initiatives: Bank stretched too thin	■						■
Portfolio performance							
Bank missions too short to capture project essence, donor positions				■		■	■
Faulty project design		■		■			
High overheads; low beneficiary impact			■	■			
Poor project implementation		■	■	■		■	■
Too many decisions referred to Washington; lack of communication between headquarters and resident mission		■				■	■
Procedures too protracted and bureaucratic		■	■	■			
Procurement, disbursement procedures rigid, confusing		■	■	■			■
Frequent changes in task managers		■	■				
Weak in monitoring and evaluation (contributes to corruption)		■	■	■			■
Low emphasis on accountability			■			■	■
Disbursement culture rather than development objectives		■				■	■
Aid coordination							
Donor meetings: limited gains (primarily information-sharing, not aid coordination)		■				■	■
Insufficient at project and sector levels		■				■	■
Insufficient support for aid coordination by the GOU						■	
Failed to bridge gap among donors on corruption and privatization						■	■
Bank pursues own agenda	■					■	
Public sector management							
<i>Budget reform</i>							
Budget allocations too mechanistic		■					
<i>Tax policy and administration reform</i>							
Tax base still too narrow	■				■		
Tax administration weak	■				■		
Excessive emphasis on raising revenue rates; input taxes are a disincentive to investment	■				■		
<i>Civil service reform</i>							
Prolonged restructuring hampered capacity development	■	■					
CSR equated with downsizing	■	■					
Downsizing, in absence of pay reform, lowered morale and efficiency	■	■					
Enclaving has limited applicability	■	■					■

Issue	Core government	Line ministries	Civil society	NGOs	Private sector	Donor heads	Donor sector specialists
<i>Technical assistance and capacity building</i>							
Insufficient private sector and NGO capacity building	■			■			
Poorly managed: overlapping, donor-driven	■					■	
<i>Governance</i>							
Lack of a strategic framework	■				■		
Bank processes contribute to corruption			■				■
Poverty reduction and social development							
Poverty disparities increased							
Regional	■		■				
Rural-urban	■						
Areas of conflict (for example, North)	■	■					
Women, vulnerable groups, very poor	■	■	■				
Leaks in service delivery reduce access of poor to public services	■		■				
Private sector development							
Poor infrastructure hampers investment and growth	■	■			■		
Macroeconomic reform insufficient for private sector development, regulatory framework inadequate, financial sector reform incomplete					■		
Privatization poorly managed	■				■		

Source: Compilation of focus group data.

The Bank’s Relationships with Stakeholders

The Bank is becoming increasingly participatory in dealing with stakeholders but has a way to go. Almost all groups praised the Bank for:

- Developing a sound relationship with the GOU, enhancing Ugandan ownership of reform, and fostering local initiative.
- Becoming more participatory with other stakeholders (including NGOs) either during the various phases of the project cycle or in the context of Country Assistance Strategy (CAS) preparation, the Poverty Eradication Action Plan, the Structural Adjustment Participatory Review Initiative (SAPRI), and the Parliamentary seminar on privatization.
- Setting an example for the GOU and donors.

Several participant groups, however, held that the Bank has not yet fully comprehended the meaning of partnership. The practice of not involving NGOs (which have been chosen to implement operations) right from project identification and not giving them enough time to review Bank documents with affiliated NGO organizations and of not informing stakeholders or civil society, which have to repay Uganda’s

debt to the International Development Association, of Bank project/program objectives right from the start indicates that the Bank does not practice what it preaches. Moreover, at the project level, the Bank does not appear to respect local ideas or expertise.

Aid Coordination

The Bank is doing well in coordinating donors at the country level. Consultative Group (CG) processes are less Bank-directed and more consultative. The goodwill and dedication of the resident mission to partnership is widely recognized. Donors and other stakeholders also appreciate the Bank’s role in:

- Ensuring an enabling environment within which donor activities can flourish.
- Garnering cofinancing for Uganda.
- Promoting an open forum for donor discussions, through both the CG and regular donor meetings among heads of mission and sector specialists.
- Moving the last CG to Kampala, and thereby promoting inclusiveness and ownership among a wider array of stakeholders within

the GOU, Ugandan civil society, and the private sector, and even among donors.

However, participants agreed that there was room for improvement in the Bank's coordination efforts:

- The Bank does not do enough to help the GOU assume more responsibility for aid coordination, especially at the sector level.
- Coordination by the Bank is more in the nature of information sharing than true aid coordination.
- At the country level, donors think that the Bank “broke rank” in not sufficiently supporting donors in their dialogue with the GOU on corruption and privatization.
- Donors would like the Bank to respect its position as “donor of last resort,” particularly as the Bank, unlike most other donors, does not provide grant resources to Uganda.
- At the sector level, the Bank “goes on its own” too much and is often not part of donor attempts to fashion sector approaches or to integrate subsector strategies.
- The Bank's field office suffers from a critical lack of subsector expertise and decision-making power.
- Bank involvement at the sector level is often supply-driven and dialogue on sector issues unsatisfactory, because decisions, often referred to Washington, are not grounded in adequate communications between Washington and the resident mission.

Quality at Entry and Portfolio Performance

The Bank neglects project design. Participants pointed out that many project implementation problems are really attributable to poor design or sequencing of components. The consequence of poor design is that the Bank often fails to grasp the essence of a project when it relies on large, but short, missions that neglect to adequately consult civil society or donors during project identification. Gender objectives, spelled out in project documents, are often not reflected in the design of project components. High Bank administrative expenses and the Bank's preference for allocating project funds to office facilities, equipment, and systems development often result in low beneficiary impact. Finally, partic-

ipants pointed out that the Bank practice of scaling up projects and locating them in urban areas to garner economies of scale is really a form of “technical corruption” that promotes Bank disbursements rather than development objectives.

Implementation does not meet expectations.

Bank procedures are protracted and bureaucratic and reduce project benefits. Procurement and disbursement procedures, in particular, are rigid, confusing, and inappropriate for dealing with small expenditures and NGOs. Requests to locate a procurement specialist in the resident mission have been repeatedly ignored. Frequent changes in Bank task managers and differences in their perspectives muddy project objectives. The Bank does not stress accountability: its weak monitoring and evaluation (M&E) during project implementation precludes grassroots feedback and midcourse project corrections and contributes to corruption. As an institution, the Bank appears to be driven by a disbursement culture rather than by development objectives.

Poverty Reduction and Social Development

The Bank's focus on growth as a panacea for poverty has been a double-edged sword. The Bank's emphasis on growth has led to a large reduction in absolute poverty, and, in the long run, its support of primary education is likely to be the best leveler of disparities (regional, gender-based, and rural and urban). But growth has not affected all regions and all Ugandans uniformly; poverty disparities—regional, gender, and rural and urban—have actually widened, and the condition of the very poor has deteriorated. Moreover, leaks in service delivery have contributed to deteriorating access to social services by the poor, particularly in rural areas, and, according to participants, have exacerbated poverty.

Public Sector Management

Bank support for improving public sector management has had mixed success. The Bank has helped the GOU to drastically improve public sector management. Budget processes have become more inclusive and their focus has shifted from aggregate fiscal discipline to technical and allocative efficiency; civil service reform (CSR)

has helped reduce the size of government and clarify the roles of the public and private sectors, NGOs, and civil society; public sector capacity has been strengthened, most notably in MFPED; and, with the move to decentralize government, a beginning has been made in strengthening district capacity.

But the picture is not uniformly positive. Budget allocations are still too mechanistic. Bank technical assistance has not built capacity in GOU agencies, the private sector, or NGOs as effectively as in MFPED. Slow CSR and capacity building have hampered improvements in public sector efficiency. The equation of CSR with downsizing, the poor sequencing and prolonged duration of reform, and, most important, the inattention to adequate incentives have lowered morale, hampered capacity development, and dampened the efficiency impacts of CSR. Moreover, government participants recognized that the Bank's approach to improving efficiency through enclaving has only limited applicability.

Improving governance is proving to be tough. Participants generally agreed that Bank approaches and interventions to improve governance have been appropriate and have contributed to greater openness about corruption. The Bank's Integrity Workshops and Investigative Reporting Seminars have helped build media skills and networks and have helped improve civil society perceptions of the Bank as an ally in the fight against corruption. However, participants also pointed out that Bank interventions, like those of other donors, have been essentially ad hoc and missed the point that governance issues can be tackled only through a holistic approach. Moreover, participants pointed out that the Bank needs to put its own house in order—weak M&E of Bank projects breeds corruption.

Private Sector Development

Bank rhetoric in support of private sector development (PSD) rings hollow. While the Bank's initial structural adjustment reforms set the stage for a resumption of private sector activities, the Bank's belief that macroeconomic reform would take care of PSD led to its neglect. Privatization, which was expected to inject dynamism into private markets, has not provided quite the fil-

lip to Ugandan private sector activities that was envisaged; moreover, privatization has not been well implemented.

Private sector growth has also been stymied by a grievous lack of infrastructure, to which the Bank has been slow to respond. The Bank also failed to appreciate that if Ugandan business were to compete successfully against imports, infrastructure investments should have been made before import barriers came down. Moreover, the inefficient tax structure and administration have imposed a heavy tax burden on the small and struggling formal business sector. The regulatory framework is inadequate and financial sector reform is incomplete.

Key Findings and Lessons by Constituency

This section presents the major findings emerging from the focus groups conducted with each of the seven constituencies introduced in Chapter 6, as well as appropriate lessons to be learned from those findings. The constituencies shared many concerns, as revealed in the tables at the end of the chapter (tables 6.2–6.4).

Core Government

The Bank scored some signal successes in key areas of its assistance strategy, but the record points to some shortfalls and unfinished business.

- Bank support of macroeconomic stability helped repair the private sector environment, contributed to better sequencing of structural reforms, and enhanced Ugandan ownership of the program.
- While it has promoted public sector reform, the Bank needs to address decentralization in depth.
- The Bank, with the United Nations Development Programme, took the lead in donor coordination, succeeded in attracting cofinancing, persuaded stakeholders to move from a project to a sectorwide approach to development assistance, and, by example, encouraged other donors to prepare their own country assistance strategies.
- The Bank has led other stakeholders in supporting the GOU's poverty alleviation strategy, but it should press for more effective M&E to

assess whether Uganda is getting value for money, particularly in the social sectors.

- Although the Bank is more consultative in both CASs and projects, it pursues its own (increasingly extensive) agenda on strategy and the size and sector distribution of its portfolio.
- The Bank backs up policy prescriptions with more analysis than other donors. But it has not been successful in sharing the lessons of its own worldwide experience; it has been too preoccupied with working out new approaches.
- Bank support has contributed significantly to public sector management. But in technical assistance (TA) and governance, the jury is still out, and considerable challenges remain in decentralization.

While aid coordination can certainly be improved, the Bank has moved the process forward, and relocating the last CG meeting in Kampala was a great success.

- The president's participation, made possible by the CG move to Kampala, added credibility to GOU positions. It also gave GOU agencies, other than MFPED, a chance to participate.
- The move was more inclusive: it led to greater public awareness and ownership of the assistance process, allowed the private sector to participate more fully in strategy formulation, and gave donors a chance to assess on site their contributions to Ugandan development.
- The CG process is becoming less Bank-directed and more consultative, with the Bank drawing stakeholders together by sector.

Budget Reform

- The Bank assisted the GOU during the FY99 budget exercise to move beyond aggregate fiscal discipline toward allocative and technical efficiency. Line ministries appreciated GOU resource constraints, identified sector priorities, and understood the need for political commitment to respect priorities and budget limits.
- The Bank persuaded MFPED to broaden the budget process to include all stakeholders in sector working groups, which were supported by Bank sector analyses and Bank-funded consultants.

- Future challenges include the need to establish priorities for government agencies outside the ministerial structure, institutionalize the new budget process, involve working groups in monitoring progress toward budget goals, and enhance local government budget discipline.

Tax Policy and Administration

- Bank support for tax policy and administration has improved revenue performance, even though it is still low by African standards. However, the tax base is still too narrow; input taxes (for example, on petroleum) are a powerful disincentive to investment and growth in the tax base; the political will to implement tax reform is weak; and the efficiency of tax administration, particularly of duty drawbacks, is still low.
- The Bank helped the GOU to rationalize and lower tariffs and bring the private sector on board.
- Better public services would serve as an incentive for tax compliance.

Civil Service Reform

- Bank-supported CSR has clarified the roles of private and public sectors (central and local) and civil society. Ministries have been restructured and civil service numbers were cut by almost half.
- However, CSR is still "in transition." Restructuring, prolonged by decentralization, is incomplete and has slowed capacity building. The sequencing of reform was not ideal—job evaluations and pay decisions should have followed restructuring.
- The CSR program needs to be "marketed" to remove public misconceptions that restructuring is synonymous with downsizing.
- The Bank and other donors have contributed to CSR's mixed success by refusing to recognize that efficiency improvements are being held hostage to pay reform and that the lack of incentives has lowered morale and performance. Pay reform is possible within the existing revenue base.
- The Bank's "enclave approach" (establishing agencies with superior salary and "hire and

fire” employment conditions independent of civil service norms) has limitations. It works only when the enclave performs a distinct role, is sufficiently “at arm’s length” to avoid creating ill will among mainstream GOU staff, sets performance criteria, and raises its own revenue.

Technical Assistance and Capacity Building

- Uganda’s TA resources (including the Bank’s) have been substantial. Nevertheless, the distribution and performance of Bank TA have been uneven. Bank TA in MFPED has generally shown good results, but not in other GOU agencies.
- Poor management and coordination of TA have led to duplicative efforts by donors: “We have lost nationally in the management of TA.”
- TA for the private sector has been limited, largely donor-driven, overlapping, and concentrated in Kampala.

Governance

- In the past, other problems were so pressing that the GOU, the Bank, and other donors did not emphasize governance. More recently, the lack of a strategic framework has meant that the efforts of all three groups have been largely ad hoc and yielded no tangible results. The Bank’s impact is difficult to determine because Bank and donor funds have overlapped in several areas.
- Governance problems cannot be tackled piecemeal. They involve a holistic system of functions and agencies: laws and regulations (Parliament and bureaucracy), political and financial accountability (Inspector General of Government [IGG] and Auditor General), and law and order (police, public prosecutors, judiciary, prisons). Many of these agencies have little capacity to manage external assistance. Moreover, the public, as the major Ugandan stakeholder, also needs to realize that it is the injured party when corruption occurs.
- Accountability needs enforcement—throwing money at the problem is unlikely to yield fruit.

Private Sector Development

Participants agreed that the private sector has to be the engine of growth but that its development

in Uganda (supported by the Bank) has been constrained by inadequate infrastructure and the mixed success of privatization.

- Public and private sector roles need to be rethought: all activities that the private sector can perform should be spun off from the public. Moreover, the private sector itself is broader than the for-profit sector and includes NGOs and cost-sharing arrangements.
- A regulatory framework should clarify and oversee public and private sector roles and quality assurance.
- Infrastructure gaps are hampering private sector development in Uganda. The group identified power/energy, roads/rail, water, and telecommunications as priorities for the Bank.
- The need for privatization was universally accepted, but privatization objectives, the role of stakeholders, and the transparency and independence of the process were not well thought out. Moreover, implementation was deemed “highly questionable.”

The Bank has been successful in reducing overall poverty in Uganda but not in targeting the very poor. The poverty agenda needs to take account of decentralization and to involve the private sector, including NGOs, in the delivery of education and health services.

- Bank-assisted macroeconomic reforms have helped reduce absolute poverty, but regional disparities have increased. Participants acknowledged, however, that the problem of poverty in the North could not be solved until peace and security had been restored.
- The Bank and other donors have failed to develop the small targeted programs that alone can reach the poorest.
- Service delivery programs have neglected rural areas, and education has not kept pace with population growth. The solution is to transfer service delivery to the private sector, including NGOs. Under decentralization, local governments need to competitively contract the private sector and NGOs, but are hampered by poor information on district needs and NGO capacities.

Key Lessons from the Core Government Focus Group

- *The Bank should mine the lessons of its worldwide experience* (particularly on poverty and privatization) and ensure easy access by clients.
- *The Bank needs to address decentralization.* The key issue is whether to continue with sectorwide programs (where the central government plays a role in programming and funding decisions) or to channel development funds to local governments, thereby giving them discretionary power over resource allocations.
- *Managing privatization is critical for success:* articulating objectives from the start, clarifying the issue of shareholding and ownership by nationals, involving stakeholders, and shielding the process from political capture.

Line Ministries

Although the Bank's partnerships have worked fairly well and it is always seeking to improve performance, the Bank needs to listen better to its partners, coordinate more internally, and improve project implementation.

- The Bank and the GOU both need to focus more on project design, because many implementation problems can be traced to inadequate design.
- The Bank is not a good partner during implementation. Instead of being guided by the Development Credit Agreement, decisions are often referred to Washington. Poor sequencing of project components holds up implementation. Bank procedures are too protracted; procurement procedures in particular delay progress. Finally, frequent changes in task managers confuse project direction.
- Bank supervision is deficient: project objectives often shift unaccountably, and the Bank appears to place more emphasis on disbursing funds than on achieving project objectives. Independent monitoring and supervision by the private sector could improve project quality.

The Bank's aid coordination activities are clearly beneficial but insufficient at the sector level. The GOU's aid coordination activities are limited.

- The monthly donor meetings organized by the Bank are helpful, but more so for donors than for the GOU; they deter donors from "throwing money at causes" and help them to identify priorities.
- The present donor subgroups do not cover every sector, but sectoral aid coordination is critical, not just for donors but also for improving coordination between MFPED and the line ministries.

The Bank has contributed to improving public sector management in several areas: budget reform, CSR, capacity building, the implementation of decentralization, and governance; however, in every area there is still a long road ahead.

Budget Reform

- The budget framework exercise, supported by the Bank, helped sector ministries focus on key objectives and priorities, assess intrasectoral expenditures, and accept the need to conform to budget envelopes. As a result, MFPED allocations increasingly reflect sector priorities.
- Nevertheless, the budget, based on historical priority program areas and spending, is still too mechanistic and incremental.
- NGOs and donor participation in the exercise (promoted by the Bank) was a positive development. Increasing NGO involvement in budget preparation at the national and community levels has helped the GOU recognize that NGOs are contributing to sector budgets and has helped NGOs expand their awareness of sectoral issues and GOU constraints.

Civil Service Reform

- While CSR has encouraged a more optimum staff size and improved the efficiency of district civil servants (because decentralization moved recruiting decisions to local governments), the slow process and the ad hoc freeze on hiring have hampered efficiency and capacity development. CSR's equation with mere downsizing has also lowered morale.
- The Bank's idea that enclaves promote efficiency has limits. Enclaves work poorly when staff skills are weak, coordination with the

parent ministry is poor, and animosity between ministry and enclave, caused by salary disparities, disrupts work. They can work well when they have very specific tasks, pay salaries that really motivate efficiency, and give managers hire and fire authority. Enclaving is needed in the short run until civil service salaries catch up.

Capacity Building and Decentralization

- The Bank has done well in capacity building. Sometimes Bank staff have been “more nationalistic” than the GOU (or project implementation units [PIUs]) in pushing for capacity strengthening. The Bank needs to build PIU capacity before projects start.
- The districts lack capacity because decentralization was not planned. GOU ministries and districts are still adapting to their new roles: the central ministries are responsible for policy direction and monitoring, and the districts are responsible for implementing policy and operations.
- The Bank has promoted decentralization through the Institutional Capacity Building project and by supporting the Decentralization Secretariat and its projects for building district capacity.
- The Bank should support data collection at the district level to aid planning.

Governance

- Although the Bank's governance approach and interventions have been appropriate, it needs to be more proactive.
- Corruption appears to be more widespread than before, partly because exposure has increased. Uganda has one of the freest presses and most empowered Parliaments in Africa, and institutions such as the IGG are also in place. But these institutions (including the police and judiciary) are woefully short of capacity and resources. Uganda also needs a stronger civil society.
- To send a strong message to the corrupt and to the public, corruption should be investigated and punished. The time-bound action plan promoted by donors is a “step in the right direction.”

The present infrastructure (power, water, roads and rail transport, and telecommunications) hampers investment and growth, particularly in rural areas: as much as 60 percent of export costs are infrastructure costs.

Although the success of the Bank's interventions to reduce poverty disparities has not wholly been within its control, it could certainly have done more to reduce gender disparities.

- Security problems have limited the Bank's success in reducing poverty in the North. Restoration of peace is essential for the North's development.
- The Bank has promoted educational progress by addressing issues of access and by supporting the shift from projects to program and budget support in line with Uganda's shift from a “rehabilitation phase” to a “development phase.”
- The Bank has included gender equality among its project objectives but has not designed specific project activities targeted to gender. Moreover, universal primary education (UPE) is likely to be a better instrument than gender-targeted components for reducing gender disparities.

Key Lessons from the Line Ministries Focus Group

- *The Bank needs to respect local ideas, knowledge, and technical expertise.* Being a good partner involves acknowledging local skills, being less arrogant, and listening better.
- *The Bank should encourage the GOU to coordinate donor aid* (particularly sectoral aid). Participants agreed that the GOU has no central aid coordination mechanism, but the need clearly exists. Such coordination is predicated on MFPED leadership and better coordination with line ministries.
- *The Bank should play a stronger role in highlighting corruption.* It should set clear standards for ethics, honesty, and good governance and should be more vocal when it sees corruption.
- *The Bank and the GOU should take an integrated approach to infrastructure investments* to support private investment instead of pursuing sector projects in isolation.

Civil Society

Bank program objectives were on target and the Uganda-Bank relationship was mutually beneficial, but wider consultations and communication would have enhanced the end results.

- Participants recognized the smooth fit between country and Bank objectives, program goals, and the need to borrow and lend. Given the devastation wrought by war on Uganda's economy and markets, the Bank's initial emphasis on macroeconomic objectives (stabilization and market liberalization) at the expense of social objectives was correct.
- Participants acknowledged that many of Uganda's policy successes were promoted by the Bank: liberalization of coffee, trade, and foreign exchange markets; return of expropriated properties; reduction of military expenditures; UPE; transparency; and capacity building.
- However, the Bank-GOU reform program was not well managed: there was little debate and there were no mitigating programs for potential "losers," implementing ministries were left out of program design, conditionalities implied "control," and the lack of consultation smacked of "coercion."
- Since current and future Ugandan taxpayers will have to pay off the Bank debt (regardless of the concessionary nature of borrowing from the International Development Association), consultations should guide program objectives.

The Bank's public relations have been poor but its approach to development assistance is becoming increasingly participatory to inform and involve beneficiaries.

- The Ugandan public is relatively uninformed about Bank positions, plans, programs, and successes (capacity building in the National Agricultural Research Organization and Makerere University). The Bank needs better public relations.
- However, the Bank's approach is becoming increasingly more consultative, particularly in project design and appraisal; the Bank is more open to criticism; it is reaching out to a wider range of constituents; and specific participatory exercises, such as SAPRI and

the seminar on privatization, are creating good working relationships.

- The Bank's mandate dictates a "natural partnership" at the central government level, but it needs grassroots contacts to assess the impact of its policies and the extent of poverty.

While the Bank's strategy and objectives have been on target, flaws in design and implementation may have delayed or reduced Bank project benefits or contributed to perverse results.

- Expenditures on overhead and expatriate consultants (even when local expertise is available) are unduly high under Bank TA. The Bank puts too much emphasis on facilities and systems and too little on the productive activities themselves. Bank project auditing is weak, and too small a share of project funds reaches the actual beneficiaries.
- Bureaucratic and slow Bank processes (particularly for bidding) delay development benefits.
- The lack of transparency about Bank policy formulation, program identification, implementation, and evaluation can contribute to corruption. Bank project impact has also been eroded by "technical corruption": the "gradual and subtle escalation of program components that move projects out of the reach of people." Rapid changes of project managers hinder accountability.
- Unlike other donors that rely on stringent monitoring systems, the Bank uses conditionalities to ensure that its objectives are met and its funds used effectively. This undermines Ugandan ownership of objectives.
- Despite repeated requests, the Bank has failed to locate a procurement expert in the field to mitigate procurement corruption.

The Bank's governance program (Integrity Workshops and training on investigative journalism) has been beneficial, but the Bank could do more.

- The IGG-Bank Integrity Workshops have enhanced media capacity and assertiveness in holding the government accountable. The government has responded positively, and civil society has reacted by setting up civic watchdog organizations.

- The Bank is now seen to be an ally in the fight against corruption.
- The Investigative Reporting Seminars have helped journalists build skills and widen networks and have increased awareness of their rights to access information. However, seminar effectiveness would have been higher had they included FM station and newspaper proprietors as participants.

The Bank's support of GOU policies has succeeded in reducing poverty and promoting social progress but the Bank has far to go.

- The Bank has helped to alleviate poverty by promoting growth, but the benefits of growth have been unevenly distributed. Poverty disparities are particularly stark at the district level.
- The GOU has adopted UPE as the next step in its fight against poverty, but education needs to focus on women and vulnerable groups. Leaks in service delivery need to be plugged by keeping recipients informed about the services they should expect.
- The Bank's approach to agricultural development has been too fragmented. A plethora of initiatives has prevented the Bank from taking an integrated view of agricultural strategy.
- A renewed focus on public expenditure allocation, away from nonpriority areas (expenditures on defense and politicking) and toward poverty reduction, is critical.

Key Lessons from the Civil Society Focus Group

- *The Bank should fight corruption as it fought acquired immunodeficiency syndrome (AIDS)*—with a massive education campaign. It should co-opt FM stations into the fight against poverty, push for more open disclosure of government information, deal with local governments directly to prevent leaks, improve the efficiency of its own operations, and launch an extensive public education campaign about Bank projects to enlist beneficiaries as allies in monitoring project progress and the use of project funds.
- *The Bank should address the reality of decentralization and consult widely* across the board to get authentic local views on Bank policies and programs, strengthen dis-

trict capacity, and promote leadership and cooperation between elected officials and administrators.

- *To enhance the effectiveness of its poverty program, the Bank should refocus attention on the district level and on agriculture.* A district focus would help tackle the real differences in poverty at the district level. The emphasis on agricultural modernization would address the need for an integrated approach to agriculture (as an instrument of poverty reduction) focus research and technology on farming systems, widen extension networks, and encourage proper marketing.

Nongovernmental Organizations

The Bank is increasingly recognizing the value of NGOs but it needs to be more open about its own plans and more respectful of NGOs as partners.

- The Bank has become increasingly aware of the positive roles that NGOs can play in development and has worked with several NGO umbrella groups, particularly in the CAS context.
- The Bank took the lead in SAPRI to bring itself, the GOU, and NGOs together to assess the impact of structural adjustment policies (SAPs) and understand the value of participatory initiatives. Earlier NGO (and stakeholder) involvement in SAPs might have helped mitigate the adverse impacts of liberalization.
- Because the Bank has no independent means of evaluating the strengths of individual NGOs, these respondents believe that it tends to accept GOU's view that NGOs generally do not perform well and are neither transparent nor accountable.

Even when the Bank does consult NGOs, it:

- Does not share documents with NGOs at the same time as it distributes them to the GOU and fails to give them enough time to participate.
- Allows NGOs "too little time to question" during project appraisal.
- Fails to give NGOs feedback on their inputs.
- Does not respond to negative NGO feedback.
- Neglects to build NGO capacity. Such an approach stultifies participation.

The Bank still has a way to go to "demystify" its plans and programs. Such openness would

help the Bank move closer to the people behind government, whose taxes pay off Uganda's debt to the Bank and who therefore have a right to know about Bank loan objectives. Greater openness would also empower civil society organizations to understand policy issues, sensitize NGOs implementing Bank projects to the broader context of Bank operations, create greater community awareness about the Bank's CAS, and enable civil society to play a watchdog role.

The Bank's approach to development is too formulaic, its processes slow implementation, its monitoring is weak, and its impact is low. The Bank tends to adopt a "one-size-fits-all" approach to development. The SAP is a uniform package applied to every country regardless of its historical background and local environment.

- The Bank is bureaucratic and slow to change, its appraisal techniques fail to identify micro-level problems, implementation is slowed by red tape, and bidding processes and disbursement procedures are too rigid and elaborate for small NGO contracts.
- The Bank relies on large projects and short missions to increase efficiency. However, short missions do not capture the essence of projects; they are not "useful, cost-effective, or scientifically valid." Large projects (generally planned without NGO assistance) require complex phasing and are difficult to implement.
- The weakest spot in Bank performance is monitoring. Failure to monitor how Bank policies affect local people means that negative impacts cannot be mitigated and future policies and project design do not reflect civil society input. Independent monitoring of Bank projects could forestall corruption.
- Bank programs have a small impact on intended beneficiaries. Only 20 percent of project funds actually reach them because 80 percent is spent on overhead.

Individual NGOs have a variety of strengths and could play diverse roles. Some NGOs are admirably suited to policy dialogue and advocacy and could play a role where consultation with civil society is crucial. Whereas the Bank tends to involve NGOs primarily as project implementers, they should be involved in all phases

of the project cycle, since they need to understand the project and provide inputs from the start.

NGOs can play an intermediary role between the Bank and local people in:

- Planning, designing, and appraising projects, especially where inadequate consultation can mar project success.
- Premission research to enrich the Bank's assessment of local needs.
- M&E to track project progress and the use of project funds and to capture project impact on local people.

Specific NGOs have as much experience in implementing projects (particularly in the social and infrastructure areas) as the for-profit private sector. District level NGOs are especially well placed to carry out project M&E.

NGOs can help track corruption. Independence is lost when the same GOU agency that plans, develops, and implements projects also takes on M&E. NGOs, when not involved in implementation, can serve as watchdogs tracking money flows.

Key Lessons from the NGO Focus Group

- *An independent NGO desk is needed to help the Bank and the GOU assess NGO competencies and experience.* The current GOU arrangements for NGO registration and coordination (in three different agencies) are confusing and out of date.
- *The Bank needs to improve its working relationships with NGOs* by being more respectful in soliciting NGO feedback, involving NGOs in all phases of the project cycle, ensuring that experienced NGOs can compete for the same implementation tasks as the for-profit private sector, improving NGO capacity (by enhancing NGO data use skills and offering uniform training programs for NGOs and the GOU), and developing better mechanisms for funding NGOs.
- *The Bank needs to become more of a listening and learning organization and mindful that Uganda has unique characteristics and needs.* To that end, the Bank should practice meaningful participation, seeking NGO feedback and being more open about its role, strategies, and programs.

Private Sector

In promoting stabilization, the Bank assisted the GOU in creating a credible investment climate. Participants agreed that the liberalization of markets was a brave move, but the Bank and the GOU erred by assuming that the right macroeconomic policies would guarantee private sector growth.

The most important step the Bank took was to support consistent stabilization programs that built the credibility and confidence that are prerequisites for private sector investment. Likewise, liberalization of foreign exchange markets was a brave move in the African context. The absence of capital flight vindicated the reform and built investor confidence, while coffee marketing liberalization, another excellent idea, promoted coffee recovery and exports.

However, the Bank and the GOU mistakenly believed that macroeconomic reform would be sufficient for private sector growth. Bank liberalization policies (particularly for trade) were based either on ideology or “ready made approaches” from other contexts and applied to Uganda. The GOU should evolve a “Ugandan” position founded on its own vision for the country. Investment promotion requires long-term strategies and commitment and involvement at the “micro level.”

The Bank failed to promote an enabling environment for the private sector that would comprise:

- A production strategy and an institutional framework to support coffee and agricultural growth (by removing “roadblocks” to production and promoting commercialization of small farms).
- An efficient restructured financial sector (capable of delivering credit at reasonable interest rates and providing development finance to small producers).
- A stable and consistent regulatory framework (to promote investment and corporate governance, not penalize taxpaying producers).
- An efficient infrastructure.

Despite reform, participants signaled concern about Uganda's poor infrastructure, privatization record, and regulatory framework (tax policy and tax administration, the Uganda

Investment Authority [UIA], and the governance system).

Infrastructure

- Lack of road/rail transport and power top the participants' list of infrastructure priorities. Poor telecommunications also hinder private sector operations.
- Given the Bank's long involvement in the power sector and familiarity with Uganda's significant growth, the Bank should have helped resolve Uganda's power problems “a long time ago.”
- Privatization of public sector utilities provides no guarantee of more affordable services.
- The Bank and the GOU need a vision for rural infrastructure, which acts as a significant drag on private sector activities. For the urban areas, where demand for service is anticipated by users, participants pointed to the need for urban planning.

Tax Policy and Administration

- The Bank's early emphasis on raising revenue rates (at a time when the private sector needed to save and grow) was excessive. The narrowness of the tax base, the uncertain nature of tax policy (driven largely by expenditure requirements), and the tendency of the tax structure to encourage fraud, smuggling, and informal sector operations (while penalizing a small group of honest taxpayers) call for a more innovative approach to tax policy.
- Tax policy formulation should involve stakeholders, aim for consistency over time, and build on credible research and better data. The Uganda Revenue Authority (URA) (originally established with Bank and donor support) should be better organized and managed: tax collection targets, which lead to overvaluation of goods, should be eliminated; collection of back taxes should be restricted to two years; amnesties should be eschewed; and, beyond a point, arrears should be set aside as “bad debts” to conserve URA resources.
- Ugandan taxpayers want to see visible benefits as quid pro quo for their taxes.

Ugandan Investment Authority

- The Bank's concept that UIA would be a "one-stop-shop" to meet all of a new investor's needs for permits, licenses, and service connections was flawed. The failure of the "one-stop" concept created a backlash among foreigner investors, and local investors considered UIA to be a mechanism for "pampering" foreigners. UIA dropped the ball and failed to restructure itself.
- UIA should have broader powers to provide investors with their infrastructure needs, but a number of its activities should be subcontracted to the private sector. Investor regulations should be transparent, ensure a level playing field, and be modified only in consultation with the private sector.
- To prevent abuses of power, UIA should be monitored, especially if it becomes a genuine one-stop-shop to address investor needs.

Privatization

- Privatization should be transparent, go hand in hand with regulations to promote competition and equity, and reduce costs to consumers.
- The success of privatization depends on whether Uganda is able to attract capable companies.

Governance

- While enforcement in general is important, contract enforcement is key, particularly in the financial sector, where cash transactions still prevail and poor enforcement of rules and contracts encourages fraud.
- As the Ugandan private sector, corporate governance issues will need greater attention. Private sector professional associations need to monitor and enforce professional standards. To forestall corruption, the GOU needs to do a better job of economic governance.
- Privatization must go hand in hand with regulation to prevent the emergence of private monopolies, foster competition, and ensure profitability.
- Within government, parastatal corruption needs to be addressed, civil servant salaries

need to be raised, and interministerial salary distortions need to be removed.

Key Lessons from the Private Sector Focus Group

- *Maintaining a stable, credible, and consistent policy environment is critical but not sufficient for private sector development.* Private investors need an enabling environment—tailored to Ugandan needs—of tax, investment, and corporate governance regulations as well as ready availability of infrastructure and financial services. Private sector taxpayers want visible benefits to result from their taxes.
- *Private sector growth in Uganda is predicated on agricultural growth.* The GOU and the Bank should remove the roadblocks that hamper agriculture: the lack of rural infrastructure, extension services, and policies that encourage commercialization.
- *Private sector initiatives should be built on stakeholder involvement.* The Bank should adopt a "micro-level" approach to invite stakeholders, particularly private sector associations, to gauge the risks and benefits of proposed policies and monitor program needs and performance; involve Ugandan professional associations to foster and enforce governance norms; and rely on Ugandan local consultants to gain "country focus."

Donor Heads

Assistance strategies on national issues are largely country driven by a competent MFPED. Inadequate sector capacity and interministerial coordination mean that line ministries are weaker at identifying sector priorities, with donors stepping in to advise on how to improve and implement strategies. However, in general, Ugandan and donor priorities match.

- The central government knows how to manage donors (but not necessarily aid). MFPED is acutely aware of donor concerns and is good at "shopping around"—matching donors to projects.
- Donors are promoting sectorwide approaches. Although line ministries are moving in that direction, they find sector approaches, which involve greater transparency, adherence to

resource constraints, and hard choices between priorities to be more difficult than projects.

- Donors agree that the responsibility for aid coordination lies with MFPED and that the Bank could do more to help the GOU take the lead, especially at the sector level.

The Bank is doing well at country-level donor coordination, but there is room to improve. Donors point out that the Bank has its own agenda and therefore is not a neutral coordinator.

- The Bank has had significant success in promoting an open forum for donor discussion, most visibly by chairing CGs and the monthly meetings of donor heads.
- Resident mission staff are dedicated to partnership, both at the donor heads level and through participation in subgroup meetings and informal consultations.
- Donors realize and appreciate that the Bank's coordination role on the macroeconomic front is a necessary condition for much of their work.
- The Bank could do better in addressing differences in donor positions and developing overall consensus on such overarching issues as corruption and privatization: positions reflected in the (the GOU, Bank and International Monetary Fund [IMF]) Policy Framework Paper differ significantly from the donors' joint statement to the CG.

Moving the CG meeting from Paris to Kampala was the right move, fostering government ownership and broadening the development dialogue.

- In-country meetings change CG dynamics, from allowing donors and government to "gang up" together in Paris to fostering constructive dialogue among a broader group of participants (including the business sector and NGOs).
- President Museveni's presence at the main meetings sent a very positive signal of country ownership and also exposed him to the concerns of Uganda's development partners.
- The extensive press coverage and the unprecedented sharing of information allowed for much greater local engagement.
- The critical reviews of donors were seen as healthy for the development dialogue but

their impact was deflated by the historic levels of aid committed during the pledging session. Donors agreed that the pledging session should be separated from the CG meetings.

At the sector level, the Bank's record of being part of the donor collective is poor: the challenge is how to stay more continuously and regularly involved in the donor-GOU dialogue.

- Large Bank missions (which compensate for uneven local sector competence) monopolize government attention and sometimes undo previous donor understandings with the GOU.
- The Bank's size, intellectual reputation, and inattention to accountability help it to "go on its own," pushing its agenda and lending goals, sometimes at the expense of donor positions.

In agriculture, the Bank's Agricultural Sector Management Project (eventually aborted by Parliament) was designed without donor dialogue; in health, the Bank is not helping to integrate reproductive health services and has not participated in forums of the Joint United Nations Programme on HIV/AIDS; in education, donors agreed on a joint reaction to the GOU's proposed sector strategy, but the Bank provided a separate reaction instead; in public service reform, the Bank is not part of the bilateral push for a more "programmatic" approach.

Key Lessons from the Donor Heads Focus Group

- *Building on its comparative advantage, the Bank should continue to promote open donor discussion* of macroeconomic and other overarching issues by chairing CG and donor heads meetings, coordinating with the IMF, and focusing on reform and policy-based lending.
- *At the sector level, the Bank should realize that it is part of a donor collective.* To be a better partner on the ground, it needs to be more transparent about its plans and funding decisions.

Donor Sector Specialists

GOU and donor roles in formulating strategy vary by sector. The GOU has recently begun taking the lead in strategy, but the donors, who are urg-

ing the adoption of sectorwide approaches, are still driving implementation. The Bank does not lead sectoral aid-coordination efforts.

Donors would like MFPED to take the lead in aid coordination. However, weak line ministries, lack of unity and coordination within the GOU, and the diverse donor–NGO presence make coordination difficult. In effect, donors are still playing a role in identifying priorities and implementing strategies.

- The Bank has taken the lead in organizing donor coordination meetings, but the meetings do more to share donor information than to coordinate aid.
- Success in developing a sectorwide approach is mixed, with most progress where GOU commitment is high, for example in education.
- The Bank, handicapped by a critical lack of field staff with decisionmaking authority and by poor communication between headquarters and field office, does not engage in adequate sector dialogue, and its involvement at the sector level is supply-driven.
- Donors want the Bank to practice its rhetoric of being the “donor of last resort” and to allow agreed-on strategies to be funded by grant resources whenever these are available. The Bank’s strength lies at the policy level, with projects often poorly implemented.
- Through its dialogue and support for structural reform, the Bank has helped Uganda develop a national vision and a sound economy and government.
- The Bank’s influence, which extends well beyond its lending, is attributable to superior analytical work at the sector level that allows it to effectively raise critical issues with the GOU. However, the Bank is spreading itself too thin over macroeconomic issues, capacity building, and, more recently, social sector concerns.
- To compensate for uneven sector competence, the Bank relies overly on large missions and Project Implementation Units (PIUs), but with little effect. The inadequate local knowledge of Bank missions inevitably results in poor implementation, while the higher PIU salary scales cause resentment among regular civil servants and provide

perverse incentives to PIU staff to prolong implementation.

- Donors allege that the Bank’s low emphasis on accountability, its complex procurement and disbursement procedures (which delay implementation), and its emphasis on disbursements contribute to corruption. Moving the CG to Kampala was a significant advance in broadening the dialogue among Ugandans, but it had its drawbacks.
- Extensive media coverage gave Ugandans a better understanding of the assistance process, and the location imparted a sense of “immediacy” to the meetings: the corruption and defense scandals that coincided with the meetings, for example, had a larger impact than if the CG had been in Paris.
- Extensive pre-CG preparation among donors that provided focus, donor cohesion, and valuable background papers fed directly into fruitful “satellite” meetings on various topics, with unprecedented participation by civil society.
- The drawback of the in-country CG was that donors were more circumspect about criticism: donors felt that the Bank and IMF did not speak out on such major issues as corruption and military spending.
- The record pledging that occurred at the end of the CG weakened the impact of earlier discussions on critical flaws in Uganda’s performance: donor support is not yet linked to performance. The ongoing decentralization of the GOU presents a major challenge for donors.
- Because decentralization empowers beneficiaries, some donors strongly support the approach as an alternative to centralized development; others, based on their own experience elsewhere, are skeptical.
- GOU agencies differ on the roles, responsibilities, and sequencing of decentralization and district empowerment and particularly on the District Development Program (DDP).
- Weak local administrations slow program implementation; moreover, budgets are not yet decentralized to the districts. Donors are torn between relying on a stronger center and adhering to the Local Government Act. In the

current situation, where money and responsibilities are moving slowly to the districts, donors have to stay active on both fronts.

- Training alone will not correct the local capacity gap. Better district incentives are needed to attract government workers to the district level and to retain capacity.
- Donor targeting of districts, under the District Development Programme (“adopt-a-district”), may be a practical way of creating capacity, but it may lead to a widening of district disparities.

Key Lessons from the Donor Sector Specialists Focus Group

- *Donor sector specialists implicitly support the approach of the Comprehensive Development Framework:* a long-term, holistic, perspective supported by sectorwide approaches, better donor-Bank partnership based on comparative advantage, and better integrated interventions at the local level. The Bank should continue to use its influence with the GOU on behalf of donors to promote sector initiatives.
- *The annual CG meetings should continue to take place largely in Kampala* to promote government ownership and further engage Ugandans in the development assistance process.
- *An important donor priority is to develop consensus on how to marry the evolving sectorwide approach with decentralization.* Decentralization empowers local stakeholders, but there is also a need for sectorwide approaches to protect national and sector priorities, service standards, and accountability across the country.



CORE GOVERNMENT OFFICIALS

We had to have the prerequisite of the successful macroeconomic reforms in order to start our journey toward poverty reduction.

Eleven participants from six core agencies of the Government of Uganda (GOU) participated in the focus group. They represented the Ministry of Finance, Planning, and Economic Development (MFPED); the Ministry of Local Government; the Ministry of Public Service; the Ministry of Tourism, Trade, and Industry; and the Private Sector Foundation.

Key Lessons

- The Bank, as the key development partner, should promote strategies attuned to Uganda’s unique social, political, and legal framework and not rely on a “one-size-fits-all” approach.
- To ensure success, the Bank needs to be more transparent about its agenda with other stakeholders. The Bank also needs to coordinate the roles of donors, the private sector (including nongovernmental organizations, NGOs), and government agencies.
- The Bank should increase its financing for infrastructure and push for the private production and delivery of services whenever possible.
- Managing privatization is critical for success: articulating objectives from the start, clarifying the issue of shareholding and ownership by nationals, involving stakeholders, and shielding the process from political capture.
- The Bank should deemphasize the “trickle-down” approach to poverty eradication, which is largely ideological.
- The Bank needs to address “value for money” concerns.
- Institution-building, particularly for promoting governance, needs a holistic approach; the Bank’s interventions have been too ad hoc.
- The Bank needs to address decentralization. The key issue is whether to continue with sectorwide programs (where the central government plays a role in programming and funding decisions) or to channel development funds to local governments, thereby giving them discretionary power over resource allocations.
- To improve project preparation and implementation, the Bank needs to pay more attention to planning and project design; sequencing of government, donor, and Bank support; and better monitoring and evaluation to accommodate possibilities for midcourse corrections.
- The Bank should mine the lessons of its worldwide experience (particularly on poverty

and privatization) and ensure easy access by clients.

Assistance Strategy and Aid Coordination

The Bank's Performance as a Development Partner

Key Questions

- How has the Bank performed as a partner in developing strategy?
- What are its strengths? Weaknesses?
- Has the Bank been overly persistent in pushing its own agenda?
- How has the Bank performed relative to other donors in this regard?

The Bank helped establish macroeconomic stability. Bank interventions have been very successful in ensuring stability in the economy and in giving Uganda direction in repairing the macroeconomic environment in which the private sector operates. Structural adjustment programs have also been successful, and a lot of sectoral work has been accomplished by the Bank.

From the Bank of Uganda point of view, we are part of very open, understanding discussions in almost all the programs pertaining to the World Bank. The programs we are aware of have performed remarkably well. People on the ground from various implementing institutions may have had problems, but generally speaking we have not had major concerns.

Sequencing has had mixed success. Sequencing of the early programs has been generally acceptable and has accommodated adjustments to local conditions. Economic and financial sector reforms constituted an important first phase. In the next phase, interventions will be needed at the farm level and will need to be refocused through close interaction with affected elements in the private sector. Sequencing of civil service reform has not been as successful; sequencing relating to decentralization also needs improvement.

The Bank has supported public sector reform. The Bank has assisted government with public sector reform and in redefining the role of government to promote a better distribution of functions between the public and private sectors. Especially in the past, government has taken on a number of roles for which it was not best suited.

The Bank's consultative approach has enhanced Ugandan ownership. The Bank's approach is more consultative and involves more stakeholders than in the past. The joint work between the World Bank, the Bank of Uganda, the Ministry of Finance, and other government agencies has been based on open discussions on issues that might have otherwise been contentious. These more open processes, which succeeded in gaining "more Ugandan" ownership of the program, are reflected in the way the Country Assistance Strategy (CAS) and such operations as the Nutrition and Early Childhood Development project have been developed.

The Bank is very open to change. Since 1986, the Bank has "become very open to change," although it is an institution with many rules and regulations. Such openness and flexibility, which have been significant and evident in the process of CAS preparation and the Bank's leadership and support for the Poverty Eradication Action Plan (PEAP), have benefited the country. However, there is room for more change—for example, in the Policy Framework Paper preparation process—to allow for greater involvement of other stakeholders.

Since 1986, we have seen many changes that result in benefits that accrue to the country. There's still room for more change in [consultative approaches] and implementation arrangements for programs, but I have a lot of sympathy for the Bank in that respect. As long as the Bank commits to continue changing, and as long as we as partners are willing to push the Bank to implement these changes, we'll have progress.

On the [CAS], the process of preparing these strategies has also changed because it is no

longer the Bank preparing the [CAS] document and us looking at it. The Bank is willing to come down and discuss with the stakeholders.

The Bank has also played a role in leading others in the PEAP, which is the government's own strategy for development. As long as we continue to make sure that the Bank program addresses government priorities, and that the Bank leads with its commitments in the programs and makes sure that they are properly evaluated and monitored, we have a good thing going.

The Bank has fostered donor commitment and played a leadership role. The Bank has been very instrumental in committing other donors to enter partnership with government and the private sector: "That has been a real standing achievement from the Bank's side." The CAS is a welcome approach that has "laid the way for other donors to start preparing their own strategies."

The Bank has encouraged cofinancing. Participants particularly commended the Bank for its role in raising resources for Uganda, for particular sectors and projects. The Bank's success in promoting cofinancing has "alleviated the burdens on the central bank relating to cofinance."

If there is any success attributed to the World Bank, not only in its work with Uganda, it has been the area of cofinancing.

Bank emphasis has shifted from projects to programs. Initially, the Bank tended to emphasize project financing. Recently, the Bank has persuaded the GOU to move "from projects to programs" and has engaged in "a more sector [or program] type of lending." The approach builds on the GOU's appreciation of critical sectoral needs. But participants noted: "we [need] a blend of the two."

There is some concern about not making a big jump from projects to sector adjustment programs. However, we are trying to ensure that government really appreciates where the critical needs are as far as the sector is concerned and to make sure that the resources

we get from the donors are effectively utilized. The best way is to come up with sector adjustment or sector investment programs.

The successful sectors have been roads and public service reform, where an attempt was made to identify what it was we want to do and then get the donors together and see what they will chip in. We haven't really moved out from projects. The projects are still ongoing, because we have donors that are interested in various ways of disbursing funds.

Work remains on implementing decentralization. One participant held that the Bank had done a lot of work at the sector level, "but not from a decentralized point of view." Government policy is emphasizing decentralization, but much work remains to be done between government and the line ministries with respect to how Bank resources can be used for implementing decentralization.

The Bank needs to focus on the waste of resources. The Bank could also do more to address the issue of value for money: Uganda's press reports point to a situation of large wastes in the system.

Questions arise about the Bank's lending portfolio and agenda. Questions were raised about the nature and level of Bank assistance. Recent lending in social areas was contrasted to earlier "capital related" projects: Should the Bank be lending to the social sectors when other institutions with social mandates were available? Despite consultative involvement of the various stakeholders in designing programs, some still find that the Bank has its own agenda, in terms of outputs, strategies, or the use of Bank funds. When government designs a program (for example, nutrition) with clear objectives and activities, it still finds that the Bank is "pushing something with respect to strategy and, more importantly, with how the funds are going to be utilized."

The concern of other donors is why should the World Bank go into an area of nutrition, where UNICEF probably has been performing for quite some time and where other donors

can help in that area? There's still a hanging question on the extent of the portfolio.

The Bank is not utilizing the lessons of its own worldwide experience. The Bank is not “mining” the lessons of its own experience, nor is it disseminating the lessons in a user-friendly way.

We miss out, not because they don't put out the information, but that information needs to be managed in [such] a way that we as beneficiary countries can use it, so that we can pick out what works best. The Bank has become too preoccupied with looking at new things and is not utilizing enough of its own experiences.

Strengths and Weaknesses of Aid Coordination Efforts

Key Question

- Has the Bank helped eliminate duplications?

The need for aid coordination clearly exists. There is need for more aid coordination; in the past, rivalry caused resources to be misallocated. Now, the Bank has recognized the need for donors to work “in one direction” and to avoid duplication or undermining other donor interventions. The Bank can help by continuing to organize other donors because aid coordination “hasn't been as tight as it should be.” With decentralization, the potential for uncoordinated aid increases even more unless consensus develops on priorities and interventions.

The Bank has taken the initiative to organize regular donor meetings. Participants noted the Bank's initiative in periodically “mobilizing donors . . . to discuss the various donor-funded initiatives and to address issues related to gaps or duplication.”

The Bank's leadership role in aid coordination is not clear. Participants questioned whether the rest of the donor community had voiced a “strong mandate” for the Bank to play a leadership role in aid coordination in Uganda or elsewhere. It is not very clear who has the overall mandate. While some assumed that the Bank holds this

mandate, others cited clear instances where it does not.

The United Nations Development Programme (UNDP) has a certain mandate as the lead donor coordinator for the United Nations system. . . . At times you feel that UNDP is in the lead; then when you go to the other side, you find that the Bank is pulling all the other donors on a country assistance program for the rest of the donor community. That's where the problem comes.

Impacts of the Move of the Consultative Group to Kampala

Key Question

- What effects have been realized or are anticipated from the move of the last Consultative Group meeting to Kampala?

The move resulted in more inclusiveness. The private sector saw the move as a clear indication that it could now participate fully in the process of coming up with developmental strategies. The general public was able to air their views, which would not be the case if the Consultative Group (CG) were in Paris. The donors also had the opportunity, on site, to better understand the effects of their contribution to Uganda. This “two-way benefit” meant that donors could understand to whom they lend or give money and the Ugandan public could contribute to envisioning what it would like to see happen in the country.

Inclusiveness had its limits, however, because “in a process like this you can't involve everyone—it is almost impossible to bring everybody to the table.” Although the GOU tried to invite as many people as possible, it felt pressure from NGOs and the private sector for even greater representation: “We still had people complaining that they were not at the table.” This will need to be resolved before the next CG. For NGOs, other initiatives are being taken to bring them around the table. For example, they have been involved in Structural Adjustment Participatory Review Initiative and in the process of preparing the CAS.

At the CG meetings, NGOs said, “You didn’t invite us to present anything, so you really don’t consider us important.” It is because we are concerned that we tried to pull them in, but they don’t have an effective umbrella organization. We invited the chairmanship of that umbrella organization, who did not show up.

Government and public ownership of the process ensued. Broader participation had benefits and costs. Bringing the CG to Kampala enabled the president of Uganda to participate in the CG for the first time. It also enabled government agencies other than the MFPED to participate in the meetings and in preparing CG documents. Not only the government but “people in general” felt more ownership in the development process because the CG in Kampala was covered by the media and engendered greater local awareness. The government saved money, but greater government participation in the CG documentation and meetings resulted in less focus and longer agendas.

We are in a very special situation where the president is fully conversant with community issues, and he can respond with confidence. We hope that this is a lesson that can be followed by other countries in Africa. The more we have CGs in our capital, the better for the economy. If the President insists, [however], that he is going to continue attending the CG, it is going to be very expensive for us to take him to Paris, or wherever, because of his delegation.

As long as the donors are willing to come to Kampala and pay for the course, that is fine because the impact on our side is to reduce the budget associated to CG.

The Bank’s approach was very consultative. Earlier, the Bank’s approach to the CG was more “in a command form” but this has slowly crystallized into a more consultative process in which stakeholders are deliberately involved. The Bank “was quite anxious to get the opinions of the different stakeholders.” It also “attempted to get the different donors together by sector.”

Consultation needs to be more institutionalized. However, these efforts are not “strongly institutionalized.” Rather, consultative processes are emerging “more or less spontaneously, occasionally at the behest of the government or interested groups.” A follow-up meeting is now being envisaged to involve government, the private sector, and the donor community, so that the dialogue, which was viewed very positively by core government respondents, would take place not just once a year but would become a continuous process.

Public Sector Management

Budgets and Expenditure Management

The Budget Process

Key Questions

- To what extent did the process that was established for the 1998–99 budget constitute an improvement over past practice?
- Do you feel that you had a better appreciation of the concerns and priorities of the line ministries in this process?
- What further improvements to this process can you envision, and how could the Bank assist in bringing them about?

The Bank helped create a more open process. The 1998–99 budget process moved from a closed affair (with the Minister of Finance taking the lead) to a more open process that brought key stakeholders on board. Working groups were created and, based on the Bank’s analytical work, laid out the main issues in various sectors.

The budget process moved beyond aggregate fiscal discipline toward allocative and technical efficiency. The process enabled line ministries to appreciate what the sector issues were, “what resources were available to the entire government, and the need to get the political leadership to accept the commitments that they had entered into and to try to stick to them.” The Bank took the lead in bringing in consultants who guided and brought out the critical sector issues in each working group.

[In the past] as much as aggregate fiscal discipline was met and adhered to, the technical efficiency and sectoral allocations were violated seriously... During the implementation of the budget, the political leadership felt that there were other priorities that had to be addressed. Therefore, 1998 was a very big improvement from the previous process.

The Bank's analytical work was "critical" to the process. The Bank's contribution to this process was in the analytical work that went behind sector working groups (supported by Bank consultants who worked with other donor consultants). The perception is that the Bank has become more analytical in its work, in contrast to other multilateral institutions, which "do very little analysis."

The budget process needs to be institutionalized and extended to cover all of government. The challenge related to the budget process lies in "institutionalizing what the sectoral working groups are doing." Moreover, not every institution has managed to become involved in the new process, nor have the guidelines and procedures of the process been fully articulated. Although the GOU is in the second year of this budget process, it seems difficult to identify priorities for the sections of government that are outside the ministerial structure and whose results are hard to define (for example, Office of the President, Parliament, and others). Another challenge is in responding flexibly to inevitable changes in priorities, which results in line ministries feeling frustrated.

We are still frustrating the line ministries and institutions—despite the fact that we go with them through this entire process, trying to identify the priorities and the financial implications—because at the last minute, priorities tend to overtake other priorities.

Finally, the process must be extended to local government budget frameworks, especially with the emphasis on decentralization. This will take considerable funding.

Working groups should be involved in monitoring progress toward the budget agenda. In ad-

dition, working groups should be involved in more than the preparation phase; they should be involved in tracking progress.

They work best if, at the quarterly or half-yearly stage during budget implementation, we say, "Having agreed to a certain agenda, are we following the same agenda or have we gone off the track?"

The Bank's Role in Budget Management Related to Decentralization

Key Question

- Is the Bank paying enough attention to the issues of budget and expenditure under the decentralization process?

The Bank has been involved in building capacity at the local government level. Some of the processes that are aimed at strengthening discipline in budget management areas at the local government level are receiving "tremendous support" from the Bank, including funding the involvement of local government officials (chair persons, councils, chief executive officers, chief finance officers of the districts and municipalities) in all activities relating to the budget framework process. There has also been an effort to assist a few local governments in improving activities related to project support and control—for example, training in budget management and elements of accounts and bookkeeping. These efforts are intended to enable local governments to manage their budgets in a much more effective manner.

Sequencing problems have affected decentralization. GOU respondents acknowledged that sequencing problems affected the budget reforms (included in the project design of the Bank's Economic and Financial Management Project [EFMP]) that might have supported decentralization.

We did not think through what needs to come first and what comes later, so we went ahead with decentralization without preparing ourselves for it. That is fine, be-

cause the political leadership accepted that chronology of events, but we missed out on the budget reform [components of the first EFMP] that should have happened years ago and would have set up the process for the districts, too.

Now the GOU is preparing the Bank's second EFMP, which will start to streamline the budgetary management systems, link central government with the districts, and allow for proper monitoring within the districts. Setting up this type of system requires human resources, capital equipment, and infrastructure to equip specific locations. The Bank's Institutional Capacity Building Project made a contribution in preparing for decentralization, but did not go far enough.

Tax Policy

The Bank's Record in Tax Policy Reform

Key Question

The Bank has supported government efforts to carry out reforms of tax policy and administration.

- What have been the Bank's signal successes in these areas?

Revenue performance has improved. Tax policy reform was "the first step in moving Uganda's revenue performance up from the very low levels then That is progress! We were at 40 billion shillings in a year [prereform] and that's half of what we collect in a month [now]." Some of that "progress" relates to enclaving the Uganda Revenue Authority (URA), but tax policy reform has also contributed.

The Bank helped the GOU to rationalize tariffs and bring the private sector on board. The Bank has played an important role by providing structural adjustment credits, rationalizing import tariffs, and moving toward a lower uniform rate. The Bank has also been able to help government and the private sector (which "had a markedly different position") reach an understanding on the need for tariff reform in establishing competitiveness.

For about 10 years, there was discussion with the private sector as to whether we should really be reducing rates. The private sector has come around to realize that, yes, you have to reduce rates in order to be more competitive and reduce the costs to the economy.

The Bank could have placed more emphasis on tax administration. The Bank could have done more to improve tax administration. Serious inadequacies in equipment and facilities that could have reduced smuggling problems, particularly at the borders, have not been attended to. In contrast, tax administration problems, apart from limited facilities, are "very much instigated by ourselves in the country" and cannot be solved by any donor—political interference is to blame.

All the systems are there, but they've been flouted by our own politicians, so there is very little you can do. It's the political machinery.

Weaknesses in Tax Policy and Administration

Key Question

- What aspects of tax policy and administration need to be fixed?

The tax base is too narrow. Collecting taxes is a very complex endeavor. Government, the Bank, and the private sector have "come a long way in recognizing that this is a necessary evil," but respondents saw a need to expand the tax base. At present, the tax burden is borne by a very narrow group of taxpayers. The rest of the private sector needs to recognize that Uganda cannot emerge from this squeeze unless "everyone pulls their own weight." The focus should be on educating the public and on innovatively expanding the tax base so that it can be sustainable.

Only a very narrow band of people currently pays taxes. They feel overburdened by those taxes.

There seems to be a problem of moral obligation.

Corruption also dampens tax performance. A clear-cut, systematic approach to eliminating corruption must be developed and sold to the public. Otherwise, tax collection and administration seem futile.

The tax administration needs to improve its efficiency. More should be done to improve the efficiency of tax administration. For example, the business community is complaining about the administration of the drawback tax system.

That remains on paper only. I don't know whether it is a question of morals or whatever; to have these guys do their bit. Something must be done about it to make [drawbacks] move.

Respondents were asked to suggest ideas for improving tax administration. Among their suggestions were the following:

- Build a broader consensus by involving those affected by policies in the discussions.
- Rewrite tax policy, especially to promote research and development and technology.
- Create new institutional frameworks (current ones are on paper only and are disjointed).
- Promote better, more innovative management at the Uganda Revenue Authority.
- Limit retrospective tax collection to two years of back taxes.
- Stop “ruthless evaluations” of goods.
- End URA quotas.
- End amnesties.
- Be more consistent.

The private sector needs a quid pro quo for its taxes. The private sector needs to be convinced that it is receiving tangible benefits from the public sector in exchange for its taxes.

To boost taxes, boost private sector investments and incomes. There is a need to refocus on boosting investments by reducing fuel prices (which reduces power costs and prices and stimulates the private sector) and by reducing smuggling (which reduces tax revenues).

Civil Service Reform

Efficiency Gains through Civil Service Reform

Key Question

- Has civil service reform achieved the expected efficiency gains?

Restructuring has led to clearer roles but efficiency gains have not materialized. Civil service reform (CSR) is still “in transition,” which makes this question difficult to answer, but CSR has helped to clarify the role of government. Ministries have been restructured and redesigned. A clearer view has emerged of the issues the center should address and what other stakeholders (local governments, the private sector, and civil society) should address. But the GOU has still not experienced the expected efficiency gains. The “gestation” period of CSR has been long, because the political process of decentralization intervened.

Public service reform started around 1992. In 1993, government started the first restructuring exercise for all ministries and for all districts. The number of ministries went from about 39 to about 21. Come 1995, with the new constitution, the decentralization process was also gaining momentum, so there was a need to place more emphasis on the local governments. This created the need to have the area structures redefined again, so that the concerns of local governments could be taken into account. The ministries were revisited again and this was just completed last year.

Poor sequencing results in performance issues. Efficiency gains have eluded the GOU because of sequencing problems. For example, restructuring should have occurred first across the whole of government, then job and salary evaluations for civil servants. Poor efficiency relates to lack of incentive, motivation, authority, and responsibility and to poor skill mix. It is complicated by civil service culture and poor sequencing. Restructuring is still incomplete: ministries have been restructured, but other government bodies have not. Without a complete structure in place, it is impossible to have management or budget-

ing reforms in place and to establish the number of people needed in the whole civil service. This has an impact on training requirements because “you don’t know how many you are talking about.” It will be necessary to finish restructuring of all government departments and institutions; then the GOU can address program evaluation objectives. But the pay issue is key.

The issue of pay has been around for a long time. We have a problem of poor efficiency in performance, due to persistent low pay in government. Although the other measures have been put in place, unless the issue of pay is addressed, it will be very difficult to achieve efficiency].

We get the feeling that their hands are tied in terms of their ability to move on issues such as the skill mix. Ministries should be held much more accountable, but I get the impression that perhaps they have not had a free hand in doing this. You hear them say, “I would like to hire more accountants or more specialists, but my hands are tied.”

We need to change the work culture of civil servants. [They] have tended to be conservative workers.

The Bank and other donors have ignored the pay issue. The Bank and other donors have refused to understand that unless the pay problem is solved, efficiency gains cannot occur. Civil service pay can be increased within the existing revenue base, if certain anomalies (for example, the compression ratio) are ironed out at the same time.

The Bank is partially responsible for what has happened, together with other donors. They have refused to understand and to accept that unless we solve the pay problem for the civil servants, we are not going to get out of the problems that we are facing. For 12 years we have been waiting to get an appropriate pay. Nothing has happened.

You cannot expect these gains unless you pay the people very well. Of course, pay must be

pegged to the revenue base, but we also feel that even within the existing revenue base, there is room for improvement. We know that some problems have been the result of weaknesses within our pay structure. For example, there has been a big disparity between the highest paid and the lowest paid—we are now trying to reduce that gap. We hope that the results of job evaluation will help us improve pay within the existing revenue base.

Results-oriented management must be linked to pay reform. The GOU is committed to program evaluation and results-oriented management. Participants pointed out that for results-oriented management to work, it must go hand-in-hand with pay reform, ministerial autonomy, responsibility and accountability, and hire-and-fire capacity.

Slow restructuring means slow capacity building. The gestation period during which government is completing the restructuring process has been slow, which means that the process of capacity building and apportioning responsibilities has taken too long: “In the corridors of ministry, people are still waiting and wondering whether they are still in the structure.” This tends to lower morale and productivity because “people are either in transit, leaving, or they are uncertain and therefore not content.” Restructuring should move more quickly, come to closure, and create the intended efficiencies. These respondents hope that the situation will soon be resolved.

I hope problems of vacancies, people not being in place, people being uncertain of their role, will now be resolved. The freeze has been lifted. The gestation is long but I think the political process has also had a role to play in this issue. It is in our plans to have the local governments assisted to carry out the restructuring transitions.

Restructuring has been equated with downsizing. Restructuring has positive potential but, unfortunately, it has been associated with layoffs. Restructuring should not be equated with downsizing, these respondents agreed: “From a pure

economic sense, this should be an on-going process. An institution that is not reforming or restructuring is a dead institution. One needs to monitor extenuating conditions.”

Almost everyone does tend to understand restructuring to mean downsizing, which is a bit dangerous and it is not politically [helpful].

The CSR program needs to be “marketed” to counter public misconceptions. A new medium-term strategy for CSR was launched in 1997. It was discovered, one respondent said, that most of the CSR had not been adequately marketed to the public. A public relations effort should help reduce public misconceptions about restructuring.

Efficacy of the Enclave Approach

Key Question

The Bank has sometimes followed an “enclave approach” to institutional development (ID) by creating executive agencies like URA with salary structures and employment conditions different from the civil service.

- Should the approach have been extended—in modified form perhaps—to other areas of government to improve efficiency?

Enclaving can work if it is based on objective criteria. The decision to enclave should be grounded in a set of agreed-upon objective criteria, not on whims or subjective assumptions. Criteria could include: Does the agency have clearly defined responsibilities with performance criteria? Can it generate its own revenues (as in the case of URA)? Can it work relatively independently of other institutions and yet continue to function effectively? Can the agency be given responsibility to allocate its own budget between wage and nonwage expenditures? Will the manager have hire-and-fire responsibilities? If an organization passes these (and other) criteria, it could be enclaved.

To the extent that you can say the Bureau of Statistics can perform a role that is distinct and you can set performance criteria for [the

Bureau], give [it] a budget, and [it] can sort out wages and capital expenditures, you should go ahead and enclave. It's a good policy for [the Bureau]. But it has limits—you can't do it for the entire civil service.

The Ministry of Public Service has been spearheading reforms in this area. We have designed the policy framework and we are trying to secure government approval for it. If it is approved, the studies will be done. In the 1999-2000 financial year, we hope that up to six pilot agencies [which will pay higher salaries from their own revenue base] will be divested [to form enclaves].

The enclave approach is *one alternative*, but controls must be put in place so that agencies achieve what they are supposed to achieve without creating ill will (because of salary differentials) among regular civil servants. This could undermine the entire process.

Partial enclaving can have negative impacts. However, partial enclaving can have a deleterious impact on the rest of the service. For example, the Bank tried to deal with the problem of inadequate salary for economists in the Ministry of Finance: “Before long, we knew that even the messengers would not move the mail unless they were also paid [incentives].” Not long thereafter, the whole ministry was covered. That was not sustainable and the effort collapsed. Different donors have tried this in different forms, “paying different allowances for this and that,” but it tends to raise expectations among staff groups who are not included.

A review of experience with enclaves is needed. Before the Bank advocates enclaving of other agencies, it should undertake a careful review to determine how effectively and efficiently enclaved agencies (such as URA) operate.

Technical Assistance and Capacity Building

Key Question

The Bank has attempted to promote ID through a program of adjustment and technical assistance loans.

- How would you rate the effectiveness of the program?

ID has produced mixed results. The Bank has scored well in some institutions and poorly in others. In the Ministry of Finance, the Bank's investment in technical assistance (TA) has gone very well. The Bank has been able to keep very highly qualified officers working for the ministry with very good results in terms of economic management.

Resources spent on TA have been substantial. Taking into account the amount of funds donors have given for TA, both as stand-alone projects and as project components, and for studies and training, the total has been very substantial.

The management of TA has been poor. The management of TA was generally not highly rated by this group. In part, the shortfalls have resulted from the fact that highly qualified people working in the same environment and more or less at the same capacity have been remunerated very differently. [This is a reference to enclaving.] Moreover, while the Ministry of Finance and a few other ministries have benefited from capacity building and improving the institutional way of doing business, other institutions have been left out and lagged behind.

We have lost nationally in the management of technical assistance. Resources that have gone into technical assistance, even from the Bank alone, are substantial. For us to take full benefits out of those resources, we needed to have a very serious level of management of technical assistance.

That is where most of us have failed, because we are not managing the technical assistance. We have been able to get a lot of money, but some of the technical assistance did not come to the ministry directly. It was for studies, and if you don't manage the technical assistance and they do a study for you, and you don't make the right comments and follow through with what has been done in the study, that is where the loss occurs.

Private sector capacity building has fallen prey to poor TA coordination. The government's strategy for promoting private sector capacity building (for example, that of the Private Sector Foundation) has been funded by similar initiatives from various donors. The duplication in funding and the lack of coordination have meant that the government has been unable to "do a fair job for all."

TA activities for the private sector have been concentrated in Kampala. Participants pointed out that the duplication of aid for the same private sector capacity building activities was accompanied by the concentration of such initiatives in Kampala.

I get disturbed when I hear that there is money under the Private Sector Foundation, which is funded by the U.S. Agency for International Development, to build capacity of microfinancing institutions. They are all targeting the same institutions, probably which are around Kampala. To build capacity of Uganda, we need entrepreneurs in Kampala, but when will we ever target those people who need it in other areas of Uganda. We as government have failed to come up with a strategy on how best to promote the private sector.

Poor coordination and management of donor funds results in duplications and omissions. Government not only needs to coordinate donors, it needs to effect coordination among government agencies based on clearly defined programs that donors can support. The same holds for the private sector and the donors themselves.

The donor says, "I have so much money, but the list of programs we want to accomplish is so long it extends beyond the amount of money we want to give you." So we also get support from other donors, then people say, "You've got too many donors supporting you."

Because the programs are not defined in advance, you find there is duplication in the funding. I think in the future, possibly if the Bank or UNDP is leading, they should insist on

having programs first. Then you can look at which donors are financing which companies.

On the same lines, just as there is a need for the donors to better become coordinated by consulting with the recipients of aid, there is a need for the private sector to organize itself and coordinate itself, and government itself, so that each and every arm of government knows what the other is doing, and then the donors similarly have to go through the same process, so that when you sit together all the other duplications and omissions are well identified.

Governance

Key Questions

- Did the Bank identify the right areas to promote governance?
- Have these initiatives led to gains in the fight against corruption and the enforcement of accountability?

Governance has been a marginalized issue. Governance has been marginalized in the past (until 1996). Governance was not an issue because the GOU was focusing on more immediate needs in agriculture, health, and water. In addition, the average citizen did not realize that poor governance affects his or her life directly.

GOU, Bank, and donor efforts have been ad hoc. Although their initiatives have been in the right areas, a strategic framework and priorities have been lacking. The GOU “for a long time has not had a well-designed strategy” but has attended to issues in an ad hoc fashion. In turn, donors have been “coming in ad hoc.”

We need to demarcate clearly what we want to promote, to guide the donors. The little efforts registered by all the donors, including World Bank, have yet to come up with tangible results.

While the assistance that World Bank has provided judiciaries is most applauded, it falls short of achieving the objective because other

critical areas necessary for completion of judicial processes are not attended to. Law and order is a system that involves public prosecution, investigation, judiciary, and prisons.

The Bank’s impact is difficult to determine. Donor funding is blended in many projects, so it is difficult to separate out the Bank’s specific impact in the governance area. In addition, the Bank cannot enter certain areas of financing, so its impact is limited. Although the Bank has allocated substantial funding to the governance areas identified by the center as critical (for example, the Inspector General of Government (IGG), the judiciary), it is difficult in some cases to correlate the actual disbursement from the Bank with what has taken place on the ground.

Recipients of Bank support for governance have little capacity to manage external assistance. The judiciary, police, and other agencies responsible for promoting good governance have no experience or managerial capacity for using aid efficiently.

I have seen what happened with the capacity building project—\$9 million for the legal sector—and the problem was management of the assistance. Within that sector we have a special problem. We don’t have managers. We have lawyers, magistrates, policemen. They know what they are doing in their field, but in the area of implementing programs and managing resources, forget it.

You hear that Uganda has very little absorption capacity for donor funding. At the Private Sector Foundation, we realize that we need to organize the members of the private sector so that it can articulate what its needs are. Then, when the donors come, the interventions are demand-driven and not thought out in Washington and Europe. Then we will be more successful at absorbing the aid.

Governance needs to be tackled through a holistic approach. Governance has to be approached as an interrelated system with several components: formulation of laws and regula-

tions (Parliament, bureaucracy), political and financial accountability (IGG, Auditor General, MFPED), and enforcement of law and order (police, public prosecutors, judiciary, prisons). The government also needs good budgetary systems and processes to establish proper accountability.

Let's measure out enough resources to tackle the problem as a total package, as opposed to prioritizing and then prioritizing within priorities. They are all important aspects of government.

*For a long time, we failed to come up with a clear understanding of governance. There is a process of law-making that would involve the Parliament, so that means one needs to understand the Parliament, at the center, and also the small parliaments at the local government level. What do they need in order to come up with proper laws and policies? The Parliament at the center would tell you rehabilitation of their Parliament . . . Governance has something to do with **accountability**—political and financial. If I know the IGGs are there and all the political accountability from the center up to the local government level . . . You find **law and order**, that is judiciary—that system involves public prosecution and investigation and judiciary, the prisons, custody. We have not had a well-designed strategy.*

Accountability needs to be enforced. Regardless of how many resources are brought into areas such as the judiciary system, individuals must still be held accountable.

If you cannot hold individuals accountable, this is where the shortfall lies. If a judge doesn't perform or is bribed, how do you identify the [persons] and then make sure that they go through the process of being disciplined? That's where we need to focus.

The governance system needs checks and balances. A system of checks and balances involving the media and the general citizenry is essential (and missing to a great extent). If civil society does not know when corruption occurs, people cannot fight it. Good governance will not happen until government and the private sector decide

to work together to break systems that promote corruption.

We need to find ways of letting the citizen know that when embezzlement takes place in donor funding, he's an injured party. More effort has to go into that.

If you organize the private sector, those who are not given a level playing field will quickly identify those who are given preferential treatment—ultimately that is the only way to allocate our minimal resources in an efficient way.

Private Sector Development

Lessons from Privatization

Key Question

- What lessons can be learned from the privatization of state enterprises in Uganda?

Privatization is the way to go. There was a general consensus that privatization of public enterprises is the way forward because “what belongs to the public belongs to no one.”

Privatization objectives need to be thought out. Privatization in Uganda was equated just with reduction of budget subsidies and selling of parastatals. The Bank should draw on its worldwide experience of privatization experience to help clients articulate objectives.

Look at the privatization literature available worldwide; there are many options which government could have looked into.

People had “misconceptions” as to what privatization should mean. Some felt that privatization meant nationalization, in which case local people should purchase the enterprises; this was not the GOU's objective.

Implementation of privatization did not match the policy lessons. The policy was fine, but its implementation was “highly questionable.” Four lessons have emerged, according to this group. First,

management of privatization is critical to its success. Second, stakeholder involvement was a big failure and the GOU underestimated the roles of the defense establishment as stakeholders in the whole process. Once this was recognized, efforts were made to sensitize the public and bring in stakeholders, but it was too late: “We didn’t manage to clean up the act in a timely manner.” Third, political corruption in the process has been a serious issue. Finally, the issue of public ownership of companies (through share purchase by the public or ownership by Ugandan entrepreneurs) was not sufficiently debated or understood.

Implications for Private Sector Development

The private sector should be the engine of growth. The development of the private sector needs to be facilitated so that it can support all the necessary activities of government, including delivery of public services.

The concept of private sector development (PSD) is much broader than mere privatization. Private sector development doesn’t stop with the privatization of public enterprises. Any public good or service that can be provided by private business should be pushed out of the public domain into the private sector. What is more, the private sector’s role can extend beyond the provision of public goods; in its role as beneficiary or consumer of public services, it can also finance provision through cost sharing or the payment of user fees.

To most people, privatization is selling of state goods, but the concept should be broadened to include every instance in which private sector comes to widen service delivery—be it road maintenance, delivery of medical services. That should be the way not only to develop the private sector but also to get government out of the business of business.

The private sector is broader than the for-profit sector. The private sector encompasses not only private business but also the not-for-profit NGO sector.

The other [concept of privatization] is involving the NGOs.

In the area of health, we are starting to provide some money to the best NGO hospitals.

Privatization raises questions of partnership and quality assurance. One challenge is how to promote the public-private partnership. Providing basic social services is an expensive investment, so the GOU would like to promote that partnership—but what should be the role of government and what should be the role of the private sector? Whenever the lines of demarcation between the two sectors become blurry, players on one side influence results on the other side, and corruption results. Transparency requires clarification and segregation of roles. In addition, the GOU worries about questions of quality assurance that arise when the private sector plays a role in health and education.

If we let private people provide primary education, no one knows whether they are giving children the basic education. Or, if we let private people provide basic health services or primary care, one wonders whether patients are being injected with water or medication.

Key Questions

Surveys of private business people pinpointed inadequate infrastructure areas as major obstacles to Ugandan business.

- Do you agree?
- What initiatives have been taken to fix these problems?

The present infrastructure hampers investment and growth. The group agreed that infrastructure problems are hampering the private sector in its “role of being the engine of growth.” Much work remains in power, roads, water, telecommunication, and other basic systems that support economic development.

Energy is inadequate in this country. Most of the industrial opportunities are centered in Kampala. You go 10 miles out from this corridor and there is no investment at all or [in-

frastructure] improvements in the rest of the country. Industries need to be well established in all the major centers, not only in Kampala. It is surprising and disappointing to have an investor come in and say, "There's no water; there's no electricity, there is nothing at all!" How can that investor break even, let alone see profit?

Develop the energy sector, particularly adequate supply of electricity (from various sources), to support industrial activity up-country.

Roads (both main and feeder), railways, and waterways.

Development of an all-weather road network connecting main towns countrywide to spread out growth.

Provision of serviced land developed in given focal areas.

Develop well-serviced industrial estates countrywide to cut down unnecessary outlays on the part of the private investors and to improve efficiency.

Enhance adequate water supply to meet potential for industrial needs in up-country towns.

Water for humans, industrial, agricultural, and animal use.

All of the above are needed as a package to stimulate private sector growth, address poverty, and increase employment.

Each participant was asked to choose the three most pressing infrastructure needs. The results were discussed in the focus group and tabulated for this report (table 7.1). Totals add to more than 11 (the number of participants) because some participants selected two areas as "first choice," "second choice," or "third choice." These became tie votes.

Industry and infrastructure development is concentrated in the Kampala area. Potential investors who wish to locate enterprises in the country's interior are deterred by the lack of infrastructure.

The Balance between Macroeconomic Reforms and Poverty Reduction

Key Question

- Have the Bank and the GOU achieved an effective balance between macroeconomic reforms and poverty reduction?

Macroeconomic stability and reform were necessary first steps. Macroeconomic stability and reform were prerequisites for poverty reduction and for progress on food availability. GOU respondents recognized that the reduction in absolute poverty that occurred between 1992 and 1996 (even though that decline was not evenly spread throughout the country) can be linked to macroeconomic reforms that have produced stability and growth.

Bank lending supports GOU priorities. Bank support has been allocated in line with GOU priorities as they have evolved: PEAP, health and education, roads and agriculture, and now governance.

Table 7.1

Prioritization of Infrastructure Needs

	Power/energy	Roads/rail	Water	Telecom
First choice	8	7	0	0
Second choice	5	3	5	1
Third choice	3	1	4	4
Total number of choices	16	11	9	5

Source: Focus group data.

As long as the Bank puts resources to the priorities we stated in the PEAP, we are fine. As long as we manage the resources in order to get value for money, I think the Bank is moving in the right direction. Our priorities are health and education, and the Bank is spending substantial funds on those areas and on agriculture. Our other priority is roads and the Road Fund is spearheading the roads program. The question is how effectively we have managed these resources.

The Bank has not been able to target the very poor. The Bank has done very well in achieving macroeconomic balance but has not done much to develop programs that target the people who are actually in the lowest brackets of poverty, a very difficult target group. To reach that group involves the need to educate recipients on what it is they are to do with the resources, and to develop small programs (which many donors would say are not visible enough). Donors have tended to finance highly visible projects, but it is often difficult to have visible assistance when it is targeted to the “very small, very poor people.” On the front of poverty reduction, then, the Bank has not done very well because it has not reached the very poor.

The Bank should introduce successful models from other countries. The Bank could look more closely at what other countries such as India have done to eradicate poverty: “They have a very systematic approach to poverty reduction, with proven techniques at the microfinance level that involve standard components.” The Bank should suggest models that can be replicated (and customized to local realities) throughout the country. While GOU respondents do not subscribe to the belief that what works elsewhere will necessarily work in Uganda, they assume that some models suitably modified to Ugandan conditions can be applied in the country.

If a component has worked in a similar setting in India, you don't want another feasibility study to see if it can work here. Very often if you give a farmer a way of looking at his patch of land as a business, give him some

recordkeeping, and introduce him to some new technologies and a little bit of financial management, you are on your way. You can replicate that over and over again.

You can use experiences from India but it doesn't mean that you bring them 100 percent. You have to customize it to the local conditions.

Poverty reduction requires training and coordination. Training is an essential part of such programs, as is program coordination.

You just don't throw money at a person and expect that he's going to turn into an entrepreneur. You have to give them all the training they need.

Nationwide, there's a need to coordinate the process. Now you can find 3,000 or 4,000 microfinance institutions, everybody doing their own thing, in different parts of the country. If they took a winning formula and just replicated that at the district level throughout the country, the funding would go much further.

Bank assistance is driven by the center, not by local needs. That points to the fundamental question of how interventions should be delivered: “It seems that we have a sector program funded by the Bank in the agricultural sector.” Delivery seems to be more or less designed from the center, as a sector program not sufficiently attuned to the needs of the smallholder—that is, with very little input from local people. A disconnect therefore develops between expenditure in a sector and what translates into concrete application. One view was that the issue of poverty was fundamentally one of raising productivity in agriculture and of developing markets.

Poverty eradication requires productivity increases and market development in agriculture. A key issue is how to raise productivity in smallholder agriculture. However, merely raising the production of local crops (such as maize) will likely depress prices. The critical aspect that

needs to be focused on is the development of outlets for local produce.

Growth and development correlate highly with productivity.

Regional Differences in Poverty Alleviation

Equity issues persist. Regional disparities in poverty have grown. The challenge of how to achieve equity within the population is not easy in Uganda, because the GOU is “working against the fact that we already had imbalances regionally.” These regional differences will be very difficult to address.

Moreover, two other issues were neglected. First, the large population of uneducated and illiterate Ugandans who contributed to a very large “unemployable labor force” exacerbates poverty. Second, because the private sector is inhibited by poor infrastructure and other risks, development has not been uniformly spread between the urban areas and the countryside.

Development cannot occur without security. The North and East have had less success in reducing poverty than the country as a whole. What could the Bank have done about this, particularly in the North, where conflict continues? Security is a prerequisite for any development program. Therefore, regions such as the North that still experience conflict cannot expect to see the same development effects or poverty reduction as other regions in Uganda.

Bank Performance in Health and Education

Key Questions

- What is your assessment of the Bank’s performance in the health and education areas?
- How could the Bank have paid more attention to capacity building and incentive design in central and local government to improve service delivery?

Growth seems to have emphasized urban service delivery. The only way to support develop-

ment in a sustainable manner is to transfer service delivery to the private sector and to balance it between urban and rural areas. While it is true that professionals believe that urban centers hold the best opportunities (and migrate to Kampala, for example), the Bank could have designed programs that facilitate the return of teachers, doctors, and other service providers to nonurban areas. An incentive scheme in schools and clinics could keep professionals in rural settings.

There are certain overheads that have to be met, but government could look at setting up dental equipment centers and making them available to private practitioners with certain fee schedules. There are innovative ways that dentists and teachers can come up with, but it needs to be demand driven.

Education has not kept pace with population growth. The education sector has not moved forward at a reasonable pace: “We have had the same university [capacity and quality] for years and yet the number of children is increasing.” This applies to grammar schools and private universities as well. More effort is required to increase capacity to meet the demands of the existing population by linking the growth of the institutions to the growth rate of the population.

Bank, Government, and NGO Roles in Poverty Alleviation

Key Question

- Have the Bank and government taken advantage of the capacities of NGOs in designing and implementing poverty alleviation initiatives?

Decentralization changes responsibility for service delivery. Is it the Central Ministry or the district headquarters that is responsible for service delivery? Given a highly decentralized policy framework, programs (whether Bank- or donor-funded) are supposed to be delivered through local governments. The work of the center should concentrate on monitoring and quality assurance.

How should Bank assistance be delivered? The fundamental issue therefore is whether the Bank

should continue to finance sector-driven programs or channel development funds to local government. The latter strategy would give local government planning councils the discretionary power to decide where resources should be allocated.

Local governments are responsible for contracting out service delivery to the private sector and NGOs. Since the legal framework allows local government to contract both the private sector and NGOs on a competitive basis, neither the center nor the Bank has the responsibility for de-

termining which NGO should provide which service. It should be the responsibility of the local government to contract with the NGOs. The multiplicity of NGOs involved in providing services and the lack of information on district needs stand in the way of matching the demand for NGOs with the supply. A two-way information flow is needed, and services should be demand-driven by local stakeholders.

You've got to marry demand and supply; otherwise you have a lot of near misses.



LINE MINISTRIES

I do not see the Bank moving to have its coordination in the same way they want us to be coordinated.

The Bank has really done fairly well [as a development partner], except at the implementation level [where] the Bank is at a distance. The Bank is quite far as a partner. Implementation tends to be long . . . delays for months.

The Bank is always trying to improve, which I think is a big plus.

Eleven participants from nine line ministries participated in the focus group. They represented the Agricultural Policy Secretariat; the Ministry of Agriculture, Animal Industry, and Fisheries; the Ministry of Education and Sport; the Ministry of Health; Ministry of Work, Transport, and Communications; the National Agricultural Research Organization (NARO); the National Environmental Management Authority (NEMA)¹; the National Water and Sewer Corporation; and the Parastatal Monitoring Unit of the Enterprise Development Project.

Key Lessons

- To eradicate poverty, the Bank should continue to move beyond purely macroeconomic solutions to stress primary education and to target the disadvantaged.
- As the country moves from the rehabilitation to the development phase, the Government of Uganda (GOU) should move from the project concept to programs, and the Bank should move from financing projects to budget support of GOU initiatives.
- Sustained development requires more synchronization, continuity, and consistency in programs.
- The Bank should understand the concept of partnership and not assume that it alone has the expertise. The Bank needs to listen better, acknowledge local expertise, and move away from “one-size-fits-all” prescriptions.
- The Bank should have “the courage of its convictions” and not attempt to be “politically correct” with the GOU.
- The Bank should encourage the GOU to coordinate donor aid (particularly sectoral aid). Participants agreed that the GOU has no central aid coordination mechanism, but the need clearly exists. Such coordination is predicated on leadership from the Ministry of Finance, Planning, and Economic Development (MFPED) and better coordination with line ministries.

- The Bank should play a stronger role in highlighting corruption. It should set clear standards for ethics, honesty, and good governance and should be more vocal when it sees corruption. Anti-corruption agencies and programs, particularly those that stop leakages in service delivery, require more funding.
- The Bank and the GOU should take an integrated approach to infrastructure investments to support private investment, instead of pursuing sector projects in isolation.
- Bank staff turnover deters project progress. Bank staff, who are overworked and sometimes lack experience, need more support.
- The Bank should involve independent private sector consultants in project supervision and rely on performance indicators to check on project impact at the grassroots level.

Assistance Strategy and Aid Coordination

The Bank's Performance as a Development Partner

Key Questions

- How well has the Bank performed as a partner in the development process?
- Strengths and weaknesses?

The Bank has generally been a good partner. Participants identified several Bank strengths. The Bank has proved to be a *good partner* (except during implementation): it has always been supportive of the GOU's attempts to develop its own agenda; Bank staff have always encouraged local initiative; the Bank has used local research to underpin its recommendations on policy reform; and, unlike other donors, the Bank promotes the most efficient use of funds because it eschews earmarking. The Bank's shift away from project funding toward budget support for specific sector programs can be viewed as another step the Bank is taking to promote GOU initiatives.

The Bank is always trying to improve. One participant pointed out that the Bank's greatest strength is that it is always trying to improve its

performance. Participants singled out specific areas in which the Bank has performed well: the budget framework process, primary education, capacity building, decentralization, and governance.

The Bank is always sensitive to what [it] can do better. This is a big plus for the Bank.

The Bank needs to understand better that the essence of partnership is to respect local ideas. Bank staff need to listen better and to be less arrogant. If the GOU and the Bank are to build a full partnership and move the development process forward together, the Bank needs to show more respect for local ideas, knowledge, and technical expertise. Too often when disagreements over technical issues arise with the Bank team, there is an assumption that the Bank has superior expertise and knowledge. The Bank will veto GOU staff "by citing what someone else within the Bank system says, as opposed to what you, a technical person, say." Respondents find this very condescending and frustrating. Conversely, when new Bank personnel arrive in country, there is a tendency for them to "tinker" with projects that were developed under their predecessors—sometimes unnecessarily, according to this group.

Sometimes, with due respect, Bank staff are not the experts on the issue. Sometimes you have local expertise and you say, "If you're talking about laws in Uganda, I can tell you the context, I can say you are wrong in this aspect of it." They say, "No, in Nigeria this was the way it was done." You say, "I know, but trust me, in Uganda this is the way it is going to be done." You lose months before they come back to say that you're right.

The Bank has to understand that we are partners in this, and as partners, sometimes we are better informed than [their consultant] was. There is a tendency for the Bank not to want to climb down.

Sometimes you feel that the Bank is paying lip-service to this idea that you're the client.

The Bank needs to coordinate its efforts internally. The Bank speaks with many voices. Bank management needs to consider how to help its “overworked and underexperienced staff” assess whether new ideas make sense in the local context and whether the recommendations of different Bank missions are coordinated.

But on the Bank side, I don’t see the Bank moving to have its coordination the same way they want us to have it.

The Bank needs to have the courage of its convictions. The Bank is sometimes too careful about specific relationships with GOU officials. Bank staff try to second-guess the government.

I see sometimes political correctness coming into the Bank. People become too careful, how this will be perceived by the commissioner or whoever... That in my opinion might not be very beneficial.

The Bank and the GOU need to focus more on project design. Partnership between the Bank and the recipient country should begin at the project design stage to help avoid problems that could mar project success.

There are many loopholes in the design stage. Many projects have missed out on important components at the design stage. In water, that is a very big problem because we have expanded production, but you find a big problem with distribution—that was a design problem.

Poor synchronization of project components holds up implementation. Problems arise, as in the case of the National Water and Sewer Corporation, when funding periods for different project components are not synchronized (for example, roadwork, water mains, or sewerage).

The Bank needs to build capacity in the project implementation unit (PIU). Before a project starts, capacity building should take place in the PIU or project coordination units. This is because the borrower generally makes a good part-

ner and achieves satisfactory project progress when it is ready. For example, although the government was “ready and worked very well” on the policy and institutional reforms addressed by the Agricultural Sector Adjustment Credit (ASAC) operation, problems arose because a needs assessment had not been conducted for the agricultural inputs component.

In the education sector, we had a case in which the GOU was not quite prepared. We did not have staff to be counterparts to the technical assistance team, so we lost out. The Bank was ready and we were not. We had a freeze on recruitment as part of the public service reform supported by the Bank, and yet, according to our program, the Bank had requested that by a certain time the department should be fully staffed. This was a conflict in policies which made us get technical assistance (TA) in place when we had no staff.

The Bank is not a good partner during implementation. The Bank is “quite far, as a partner,” at the implementation level. The Bank keeps its distance at this stage because the borrower is in charge of implementation. The resident mission often does not have the influence to smooth and speed implementation, and the implementing country has to look to Washington for guidance.

You find that some projects cannot be completed. Some can’t get started before closure, because so many decisions have to be referred to Washington.

Procurement problems cause delays. Procurement problems have caused delays in implementation and requests for extensions. These respondents said that the GOU has twice asked the Bank to assign a procurement person to the resident mission, because virtually every project involves procurement delays. Slow communication with Washington and misunderstandings in this area create problems. Procurement information is detailed and difficult to condense for international transmission: “Understanding that information on the other side, not for fault of their own, is difficult.”

The Bank does not earmark procurement. Line ministry respondents appreciated the Bank's open stance on procurement in that it does not "earmark" funds. Other donors, in contrast, tend to align project procurement to specific (home) countries. Especially in hiring consultants, this practice can have less than positive consequences.

I should commend the Bank because it has not been as directing. Even for human resources, some donors align you to their country, and sometimes the contracts are quite expensive. Sometimes the [experiences with procuring] personnel in that manner are not as positive as those resulting from open bidding.

Bank procedures are too protracted. Although more recently the Bank has tried to "get the borrowers in the driver's seat," procedural burdens place control back with the Bank, and it is the Bank's processes that bog down implementation.

Some of the Bank procedures are too protracted; by the time you access the funds, you have not hit the iron when it is hot. You are not able to address the need at the most critical time.

Inconsistencies between the Bank and the GOU delay implementation. The Bank's procurement rules and procedures are sometimes inconsistent with the government's Public Finance Act. These relate primarily to public procurement thresholds, tendering procedures, and expenditure classifications (the credit agreement's expenditure categories differ from the GOU's budget lines).

Changes in task managers confuse project direction. Some respondents said that they have experienced problems with "too many people in charge of the project at different times." Task managers can change as often as four or five times on one project. New task managers lack institutional memory, so one person presents one view and the next one presents a diametrically opposed position. This has been true of government also. The Bank has been encouraging the GOU to have a unified position on issues—GOU respondents would like the Bank to do the same.

There is a disconnect because, when personnel change on the Bank side and on the Ugandan government side, there is no continuity of expectations. Everyone switches goal posts.

At the implementation level, you find loss of morale because you switch focus and you never know what you are shooting at. It is a moving target. Everything changes.

I don't mean to sound overly critical of the Bank, but whenever there are changes of personnel, the new person who comes in needs to say that the other one was not doing a very good job. They put their imprint on the design, tinker with it, and assume that their design will work much better. I have gone through several little changes on the Bank side and always, without exception, the new person always has to put his or her imprint on it.

National Water had a big problem. It seems that team leaders really follow their professions. At one time, we have an engineer whose focus is on structural rural investment. Build a storage tank, as in pipelines. The next time, we get a financial economist; he says, "No, we need to have more studies."

Bank project objectives often shift during supervision. When the Bank supervises a project, supervision staff do not consider how the project was originally designed. Sometimes no objective basis is provided to the GOU for changes during supervision.

Generally, for partners to perform well, they have to go by certain rules. Since the Development Credit Agreement is approved by Parliament and signed by the GOU and the World Bank, the document's terms should be respected. Where the document is respected, the partnership is successful.

On the government side, we are a bit weak. We cannot hold the Bank [accountable] and say, "This has been agreed upon."

One project I was involved in was designed in 1991 and 1992. In 1995, there was a restructuring agreed to by the Bank and the government. They shifted the objectives and restructured the project to be more streamlined and smaller. We are still being supervised against the original development objectives!

Monitoring and evaluation (M&E) should emphasize development objectives. More attention should be paid during project supervision to whether or not a project is actually reaching its development goals—not just on how the funds were managed. M&E, especially in projects that do not have clear objectives, may lack objectivity. In such projects, the various missions have emphasized very different objectives.

Too much weight is placed on budget utilization. This may be due to the need for accountability but occurs very much at the expense of goal achievement. This has made some of us unhappy.

Independent supervision of Bank projects, involving the private sector, might improve quality. Independent monitoring and supervision of Bank projects, particularly by the private sector, may introduce a different perspective and add value to the project.

So at the end of the day, the story is always from the Bank side. I think the Bank always tries to be fair, but I think it would be good for them to get someone from the private sector to come and look at the project and say, "Is it going according to schedule or not?" I have seen this happen before and it was positive for the organization.

Impact of Large Donor-Supported Projects on Local Ownership

Key Question

Critics of aid allege that the presence of large donor-supported projects undermines local ownership of development agendas.

- How would you describe the situation in Uganda?

Borrower-driven agendas avoid problems. For the foreseeable future, countries like Uganda will need aid from the Bank and other donors. For this aid not to kill ownership and local initiative, it must be borrower-driven: the GOU, as the recipient, must develop its own agenda and programs. The Bank has been particularly supportive of such GOU efforts.

The government has been given the chance in the past to design its development agenda.

This group offered the example of the country's Universal Primary Education (UPE) program.

The government said, "We think that, to be prepared for the next century and to develop ourselves, we need to tackle the human resources aspect. Our primary need is to develop the opportunity for universal primary education for every Ugandan." Once that came from the GOU, then we could approach donors and say, "This is what we need to do to push our country forward."

Donors can refuse support or agree to it, but the initiative should come from (or through) the GOU. The details of a project can be negotiated to achieve a true partnership, but that does not have to distort local initiative or undermine local ownership of any program.

Local initiatives have not only not been undermined but the Bank has encouraged them. The presence of large donors since 1987 has not dampened local initiatives, this group thought. If projects have not been "purely initiatives of government," they have at least been internalized by the government. The Bank has been supportive, as illustrated by its use of local research in evolving its reform agenda on agricultural policies.

After 1986, the country developed a new culture toward investing in institution building. The [government brought together in the Agricultural Policy Committee all the agriculture-related Permanent Secretaries], the Bank of Uganda, and representatives of national farmer organizations. [This was] a new ap-

proach. Task forces that worked on all areas that needed change reported to the Agricultural Policy Committee, so what was decided with the Bank during negotiation [on the ASAC] was based on consensus and proper research and investigation.

Local initiatives and review are now mandated. Parliament requires that consensus be built from the grassroots with key stakeholder involvement. This kind of “grounded approach” to negotiating with the Bank dominates current thinking.

Local capacity is a constraint on local initiative. Local capacity has curbed local initiative in the past, but this is changing slowly with training and exposure. The Bank needs to step up its efforts to build capacity.

But the problem has been capacity to focus on the action. That’s why you find projects poorly planned—always to the detriment of local initiative. Now, we are building capacity. Training, exposure, more experience, better planning. The Bank should focus on this capacity building, which will in turn help keep the process from undermining the local initiative.

When we have the experience and expertise, we are more assertive in [project] designs. The only weakness comes in areas where we have not done this before, where it is a new initiative for Uganda. In those, we are less in control of the process. In education and local government, there is much local initiative.

Strengths and Weaknesses of Aid Coordination Efforts

Key Question

- Are you aware that the Bank holds monthly meetings with donor heads at the resident mission, with subgroups with different sector emphases?

Donors throw money at causes that are not necessarily Uganda’s priorities. Donors appear to be more concerned about disbursing their aid than about identifying Uganda’s true priorities.

Money is chasing causes but not the right cause. . . . Sometimes they’re looking for \$10,000 to do a study that will give you options on how to spend millions of dollars—but they can’t find the \$10,000! Then they’ll spend \$400,000 on something else that doesn’t have much impact.

Sometimes donors throw money at causes. Water is a very good example. When you wake up, you say, “Look guys, you’re duplicating, you’re not necessarily throwing money at the priorities.” It is certainly true of the electricity sector:

Sometimes very little money in an area can have a very large impact and it doesn’t happen. Donors are very happy to throw lots and lots of money at the Ministry of Finance building. But just two or three people would have brought collections to the government of about \$5 million from different agencies. National water—there is money owed by them to the government. Some of these things don’t work out because the right hand does not know what the left hand is doing.

Donor heads meetings benefit the donor community more than the GOU. Some (but not all) line ministry respondents were aware of the monthly meetings of donor heads of mission. They questioned why more government participation was not involved. The donors need to coordinate among recipients, not just among themselves. Donor heads meetings may represent more benefit to the donor community than to Ugandans; meetings involving GOU people on the “implementation side” would be more useful to the GOU.

I was aware of two levels of donor coordination: one involves the head of the agencies and the head of the Bank mission, and there’s not much participation by the government at that level. They might make presentations but not regular participation. I was under the impression that at the sectoral level, where they have subgroups, government participation was heavier at those levels. I don’t think there’s one on water or electricity.

That kind of participation happens [once a year] as part of the budget process, the sector representatives and the donors sitting together. The donors meet more frequently, even outside the budget process.

The need for aid coordination clearly exists but the GOU has no one mechanism in place. These respondents agreed strongly that aid coordination is essential and presently insufficient. Since duplication of funding of “good causes” such as water or power may not lead to desired results, it is beneficial for donor heads to meet, but further involvement by government should be considered.

You need to understand that the government has no central mechanism for initiating that coordination. If there were one focal point—if donors were told that before they talk to anyone else they have to go through aid coordination—that would help. Every inquiry, every initiative would start with aid coordination. Then aid coordination would channel donors to the right agency or investment authority. Now, they start with the prime ministry and say, “What do you think is a priority? What do you think needs funding?” The power sector has a particular percentage of the Ugandan debt. Of that, the biggest single recipient is electricity. These guys don’t want to meet [with Finance], so there’s a significant part of the national economy that is not coordinated.

Sectoral aid coordination by the government is critical. The group disagreed as to how the current processes unfold. At the design stage, donors approach various ministries to “sell the program.” Although the Minister of Finance is supposed to have documentation before reviewing and signing, two years of negotiation might already have taken place before MFPED gets involved. It was pointed out, however, that donors need to talk with one another long before a project is funded. MFPED, as the central conduit for aid, should take a lead role in ensuring that sectoral aid coordination improves and that all the participants, both donor and gov-

ernment, meet and harmonize the process from the beginning.

I’ve been talking to donors in their individual capacities on electricity and water. They all say that it is fantastic for us to get together, but you can’t get together if they don’t push for it. They say that’s a very good idea, then they walk out of the room.

MFPED is the central pocketbook at the disbursement level, but when donors are designing [projects] they don’t deal with Finance. For example, they go to the Ministry of Energy [and only later to] the Ministry of Finance and say, “This is what we’re going to do—we need to disburse this money in a hurry.”

Improved aid coordination should tie in with sector planning. Aid coordination should take place within the context of strategic planning by sector. Before donor and sector officials enter serious negotiations, they should submit a two-page summary of ideas to MFPED. The concept should be integrated into the overall borrowing and grants for the government. MFPED should then coordinate the negotiations of the various sectors, involving donors and line ministry specialists. Roads and education were mentioned as sectors in which aid coordination by MFPED has worked well. The Bank has a role to play in urging MFPED to exercise an aid coordination role.

The way it is [now], is at one point Finance is there alone and then [during] design, the line ministry [is] alone, and then it comes back to Finance alone.

They have tried to do this in some areas, like roads. They have a 10-year road improvement program; they know what has been committed, even though most have not signed actual agreements. I have a strong feeling that the Bank should make sure that Finance does this, because Finance has a hold on the various heads of parastatals and Parliament secretaries.

Public Sector Management

Budgets and Expenditure Management

The Budget Process

Key Questions

- Do you think the Bank-supported budget processes have had the right objectives?
- How effective have the Bank's efforts been?
- To what extent did the process that was established for the 1998–99 budget constitute an improvement over past practice?
- How useful was participation by NGOs and donors in the new budget process (framework papers, joint discussions)?

The process helps focus sector budgets. The budget process has been useful in focusing line ministries. The cash budget has been useful because it has really “attuned” ministries to limit spending to budget allocations. For example, in education it helped reorganize sector objectives and priorities and kept the plan within the resource envelope set by the budget and donor financing. It also provided an opportunity to look at long-term operating expenditure plans for specific intrasectoral areas (for example, classroom construction needs, the primary subsector, teacher training, and provisional instruction on materials). Others agreed that the process was helpful for medium-term planning.

MFPEP asks the various sectors to write in their key priorities and key objectives and then allocates money [taking account of] forecast revenues and the sector objectives and priorities agreed upon in the workshops.

The process has improved over time. The budget process has improved over time, particularly during the current financial year with the introduction of “budget framework workshops” early in the budget cycle (October), to feed into the following June’s budget.

The participation of NGOs, donors, and districts has contributed to the budget process. All

participants agreed that the recent budget process, which involved all stakeholders (not just donors and NGOs, but also the districts), was a major improvement. The inclusion of donors has helped them realize the constraints that line ministries face in drawing up programs. The involvement of NGOs came about because the GOU realized that NGOs are contributing to the budget, particularly at the district level. Now, NGOs are involved to a large extent in budget preparation at both national and community levels. In the past, NGOs have shied away from saying how much resources they put into a development area, but the new process “makes them open up” so government can figure out how to bridge funding gaps. In that sense, NGO participation has been positive.

We have all stakeholders involved. And this year, this even went further down to districts, because of decentralization, which I think is good and in the right direction.

It was useful in my sector. Before, NGOs reviewed our basic assumptions; now, we work together with the donors, so they begin to understand some of our [constraints] at the beginning. They have benefited and we have benefited because we can move faster.

A project can be funded by government, but NGOs are going to implement it and sit with the community to come up with subcounty budgets. That budget will be consolidated with the district budget before going to the project coordination office for funding. This seems to be the trend and it makes a lot of sense.

Budget allocations are still mechanistic and incremental. Although line ministry respondents felt that the question about the effectiveness of budget processes and the Bank’s role was “too technical” for them, they said that the budget process is a great improvement over past practice. The only problem with this approach is that it is “conventional.” Budgets have been linked to the past year’s allocations for priority program areas (PPAs), which may not take into account chang-

ing priorities. These respondents suggested that the PPAs should be reviewed.

They have not had an evaluation of the PPAs at all—this has been a very big oversight, [particularly] now that there has been the policy of liberalization and the policy of decentralization. As we go through this, even these imperfections [including incremental budgeting] will be eliminated.

Appropriateness of Sectoral Allocation Levels

Key Question

Until 1997, agriculture received 1.8 percent of the recurrent budget; health between 1.4 and 4.8 percent. Even in education, which received higher allocations, recurrent expenditures for primary education and nonsalary inputs were low.

- How appropriate are these allocation levels?

Locked-in budget allocations are inappropriate, but some sector allocations have been adjusted. “What people got before, they will continue to get.” This group said that agriculture had not been allowed to review its PPAs, so the allocation remains at historical levels. Even pointing out that priorities have changed has not moved MFPEd to reexamine the ministry’s allocations. The experience in education has been different.

Many years back, they did the PPAs for agriculture and these are the PPAs even now after different developments. My Permanent Secretary met with Finance to say, “Look, the priorities are no longer the same as 10 years back.”

For education, we have received a significant increase. We used the negotiations during the Education Sector Adjustment Credit to get Finance to increase our allocation. So as far as we are concerned, our priority area, primary education, is receiving a substantial increase.

For the water sector, we have also received significant increases—better than it was in the past.

Civil Service Reform

Efficiency Gains through Civil Service Reform

Key Question

The Bank has supported government efforts to improve the efficiency of the civil service through organization, size, and incentive changes.

- How well have the expected efficiency gains been achieved?

Civil service reform (CSR) has had some positive impact, particularly in the context of decentralization. Positive impacts are evident in some agencies (such as those dealing with education planning and water). Moreover, the shifting of some responsibilities from the center to the districts, following decentralization, has effected some improvement in service delivery at the district level: the efficiency of local civil servants has increased because they are now recruited by the districts and report to the districts.

The Education Ministry’s planning department will gain staff and will benefit from the reform.

As the National Water agency is “commercialized” and more focused on profits, it will be motivated to have optimum size staff.

The CSR process has been too slow and hampered capacity building. The process has been drawn out over many years. Although the number of civil servants has been reduced, the process of ministerial restructuring is still going on. The full impact of the reform has yet to be felt.

The process has taken too long and education seems to be one of the very last to undergo restructuring. So it is difficult now to assess the impact of this reform.

A new graduate recruit will be productive for perhaps 15 years, but if it takes 15 years to restructure, then it has lost its impact.

CSR has been equated with downsizing because the expected incentives and efficiency increases

have not been forthcoming. This group argued that CSR has been seen as an exercise in reducing numbers—but it has not been accompanied with the expected benefits that would really motivate the remaining civil servants to work (for example, pay increases, job definition, capacity building, and results-oriented efficiency increases). Reduction in civil service numbers has taken place, but the process was not rational or efficient. Functional analysis has been done, but numbers were not reduced in a way that adequately took changing roles into consideration.

CSR has lowered morale. The civil servants who remained found their workloads heavier and their compensation the same. This resulted in lowered morale and disgruntled workers.

The five-year freeze hamstrung some key departments. Participants noted that, in some cases, CSR has been destructive. For instance, in the Office of the Registrar of Companies or in the Public Debt unit in Treasury, a very small increase in numbers might have had a very large impact on government efficiency. The hiring freeze prevented these and other departments from bringing in needed staff.

If you reduce [Treasury operations in MFPED], they are not collecting money due to the GOU—they are not even aware that there are some people who owe government a lot of money! No one is recording that fact. They might have two or three people who are handling billions of shillings due to the government. They need a few more people and the [five-year] freeze stopped them from doing that.

The Registrar of Companies has a total lack of capacity, yet when you're trying to increase the number of investors coming into Uganda, having that department is critical.

Functional analysis should have helped to establish freeze priorities. Respondents pointed out that “freeze priorities” had not been identified because CSR had not involved sufficient functional analysis. There was a simultaneous re-

duction of existing staff and a freeze on new recruitment, which was applied (wrongly) to “cut across the board.” First, a “very thorough” functional analysis should have taken place, and then the required expansions could have been determined together with cuts and freezes.

For example, in the Ministry of Health, they have not recruited new doctors for the last three years. If you look at the doctor/population ratio, it is one of the lowest in the world—and health is supposed to be a priority sector in Uganda, even in the budget process! Every year there has been a reasonable increase in funding for Ministry of Health, but how can you provide health services without doctors?

The Bank has done well in capacity building. Comparing Ugandan capacity now with levels in 1989, there is no doubt that the Bank has been successful in building capacity. According to participants, the Bank has tried “very much to encourage our local initiatives.”

Sometimes Bank personnel have been more nationalistic than we have. The Bank has pushed more [for capacity building] than the implementation units themselves.

Efficacy of the Enclave Approach

Key Questions

The Bank has sometimes created separate PIUs inside sector ministries.

- How well does this work?
- Can you eliminate these separate units and still have efficiency?
- Why or why not?

Project coordination offices (PCOs) or PIUs can be effective in special circumstances. They are effective when projects have very specific objectives that need to be achieved in a very specific time period, when you can target results, pay salaries higher than civil servant wages, exercise hire-and-fire authority, and evaluate personnel in relation to expected outputs that go “beyond what a civil servant can provide.”

"I want you to do this, I'm going to pay you this much." If he doesn't do it, you can nip the contract, which you can't do in the civil service. It gives management and the whole government more control; therefore, you can target results and have the results achieved within the context of the project.

The units, if well selected and of small size, can be very efficient and effective, because people are motivated if they have good work plans to accomplish.

People were fighting to go to that section to make more money. The funding is not from National Water; it is from World Bank or a donor.

Enclaving has limits. PCOs and PIUs need to have skills to do a specific job within an agreed-upon time period and the ministerial unit with which the PCO or PIU works needs to have both the capacity and the motivation (often affected by the disparity in ministerial and PIU salaries) to carry out the supporting tasks that the PCO or PIU relies on to accomplish its work.

My salary is much higher than that of my peers, although I report to the peers, including the woman who looks after the basket that finances my unit! [Enclaving] can act as a disincentive [to regular civil servants].

As an implementation unit, you can't do all the work. At some point, you need the civil servants. For instance, in the accounts department of the planning part of Ministry of Finance, I wish the old policy had been sustained by paying some incentive to the commissioners. In some cases, bad blood has flowed between managers.

You need a lot of patience and skill to work closely with your colleagues who are earning sometimes as little as one third [of your salary].

PCOs and PIUs are needed in the short to medium term but should be phased out. PCOs and PIUs are needed until civil service salaries

catch up enough to motivate ministerial staff, but there should be a deliberate policy of "not prolonging an implementation unit."

It is true that PIUs have performed well, but we also believe that ministries can perform if facilitated the way PIUs are.

Project implementation units would be useful. The idea of gradually phasing out and transferring onto the main ministry was made with the assumption that the rise in civil service salaries would catch up and adequately motivate our colleagues in the ministries. This has not happened, so you can't say that in the short run they can do the kind of assignments.

PCOs and PIUs should build capacity in line ministries. PCOs and PIUs should be used to build capacity within existing line ministries; this expectation could be integrated into the terms of reference, especially in sectors in which implementation units have close counterparts (for example, water). Although they may not be as motivated as the full-time members of the PCO or PIU, regular ministry staff should be fully involved, participating in decisionmaking and project management: "It's not just the money that motivates." Eventually PCOs would not be necessary because adequate capacity would have been built among civil servants.

In water, where you need experience, the enclave was phased out and now we are managing the project. The unit was viewed with envy. They started reducing special allowances, cutting it down, changing the staff, because someone who is used to something substantial can't change. They had to shift people around and bring in new people who are not used to that money. Now we are like a normal National Water project.

For the Ministry of Education, we are working with the idea that, toward the end of this project, we should transfer the PIU functions internally to the ministry, hoping it will have been restructured. This has taken time. Unfortunately, the project is ending and we don't

seem to be ready. Internally, we are already working very closely with the PIU. Whatever component is to be transferred to the ministry is now being implemented jointly with personnel from the PIU and those within the department, so that they become acquainted with the activities. When the ministry is fully restructured and we have competent people recruited in some of the key positions—and the facilities that come into the PIUs have been transferred into the line ministry—I don't see why the ministry shouldn't carry on.

Decentralization

Impacts of Decentralization on Line Ministries

Key Questions

- How has decentralization affected the way you work in line ministries?
- In your view, how are the local governments and councils responding to decentralization?
- How are the service delivery standards being set and monitored?
- What progress has been achieved in bolstering local management and financial control?

Decentralization was inadequately planned, so the districts lack capacity. Capacity had not been built at the district before decentralization, so now priorities set at the district level are not in harmony with the central priorities. Service delivery has deteriorated in some districts, and resources are strained or absent. Monitoring by the central agencies is a problem because direct links between the center and the districts are weak (except through the Ministry of Local Government). Sensitizing the grassroots level and the sub-county level to capacity building and priority setting needs more work.

Central ministries and districts are still adapting to their new roles and responsibilities. Central ministries are responsible for policy direction and for monitoring the implementation of government policies, not for implementing projects. Central ministries therefore have to pass on operational activities and financing to the local authorities. Even the capital budget needs to be

decentralized. This, some ministries are reluctant to do, partly because districts are not well prepared to take over certain sectoral functions.

Sectoral ministries still exert financial control. Some ministries were not very excited with passing responsibility, accountability, and financing to local authorities. That means that districts do not have the opportunity to “adequately manage projects.” Through sensitization, the attitude is changing. In the long run, however, the government's capital budget will have to be decentralized in order for the districts to play a significant role: “Without the purse, you can't do much.”

Decentralization has worked relatively well in education. In the education sector, some activities have been decentralized (for instance, construction of classrooms under an International Development Association [IDA] project).

Classrooms are needed all over the country, and the center doesn't have adequate capacity to monitor the output in terms of quantity and quality of construction. Districts have done very well with this. They are the stakeholders, so the local communities have played a very substantial role.

Primary education has been totally decentralized, so we don't have a direct say over what districts do, but we give policy directions and monitor to ensure that they are implementing government policies and using conditional grants properly. As a sector, we enter into an agreement with districts to ensure that they use the funds for the purpose that the funds have been given, especially in construction of classrooms and the grants for UPE. Our role lies not in the implementation but in ensuring that programs are implemented according to need.

Decentralization of large-scale projects (for example, water) has raised questions about center-district roles. The districts were eager to take over some functions in the hopes that they would generate money, especially in the water sector. Many found out that they could not make money and wanted to “pass the buck back to the center” be-

cause water projects are so expensive; they cannot buy chemicals, for example.

The Bank's Involvement in Decentralization

Key Questions

- Do you think the Bank has been sufficiently involved in facilitating the decentralization process?
- What additional role could the Bank usefully play?

The Bank has supported decentralization through the Ministry of Local Government. The Bank has supported the Decentralization Secretariat, which is the main body formulating the policies and laws in the Ministry of Local Government. This ministry houses various projects that address institutional capacity building at the district level; the Bank is involved, sometimes with 100 percent funding. The Bank encourages line ministries to pass their activities on to the districts.

The Bank's major role is in capacity building. The Bank's major contribution is (and should continue to be) in human and institutional capacity building. The legal framework and political will for decentralization exist at both the central and local levels, but lack of capacity at the district level serves as an impediment. The Bank funds the Uganda Institutional Capacity Building Project and should continue to do so for some years hence.

The Bank should support more community participation, especially for the water sector. At the district level, somebody declares water a free commodity and then at the end of two or three months we have chaos. The district can no longer finance the operations. If the communities could be sensitized on how to manage water, perhaps with private sector participation [the situation would improve].

Capacity is especially low in data collection. Data collection for planning purposes represents an area of "very serious" low capacity. A project that was supposed to address this issue at the decentralized level, the Agricultural Sector Management Project, failed to get off the ground. If this is not addressed, significant planning problems will result. More responsibilities and ex-

pectations are placed on local authorities, who expect the center to provide planning data, but the center does not have the capacity to do that all over Uganda. Education has made some progress in this regard.

[The IDA credit] has [helped the Education Ministry] to conduct several workshops to train [personnel in] eight districts to develop education plans and school maps. We intend to cover the whole country. That was started through funding from the Bank; now other funding agencies are coming in with resources to ensure that we build capacity in the districts. The Bank has also given us funds to design and establish an Education Management Information System. The districts will be trained and equipment will be provided for them to collect timely and accurate data that will be analyzed at the district, then sent to the center.

Governance

Key Questions

- What would twelve people "off the street" say about corruption in the government?
- How well has the Bank identified the right areas in which to promote good governance and to reduce corruption?
- Have the Bank strategies been the right strategies?

The public believes corruption is widespread and takes place at the top. The Ugandan public would agree that far too much corruption infiltrates its system and would support the idea that it should be exposed. Exposure, however, may lead to the appearance that there is more corruption than actually exists. Participants agreed that the ordinary man in Uganda probably believes that corruption is taking place more at the top than at the lower echelons of government.

If you ask the ordinary citizen on the street, he would probably say there is a lot of corruption around and would zero in on the top in areas like procedure making. I don't know whether it is greater than before. There is more exposure now than was available before.

There appears to be so much because it is being exposed.

In the village, the common man does not believe that there is more corruption now than in the past.

Some people would say corruption was in the highest levels politically. Even in project implementation, it's at the top, not in the clerical sections.

The Bank's support of good governance helps to reduce corruption and promote accountability. The Bank has “absolutely” supported the right principles and policies. These respondents said they are very satisfied with the Bank’s approach. Corruption has been reduced. At the Consultative Group, the Bank and other donors persuaded the government to commit to a time-bound action plan. Line ministry respondents would like similar support to continue so that the government’s own attempts to reduce corruption can be reinforced.

In the 1980s, the levels of corruption were so high that government departments were actually receiving [nonexistent goods], whereby someone signed a document saying they received ten defense vehicles, and we paid but actually received nothing. Now, it has moved from receiving nothing to receiving trucks that are probably overpriced and not very useful. There is reduction in corruption if you look at it in relative terms!

Nonetheless, respondents question whether it is possible to attribute successes directly to Bank assistance. There is a certain “internal governance propelled by democracy,” so it is a combination of the Bank and government in promoting democracy. However, the time-bound action plan is a “very big step in the right direction.”

Institutions are exposing corruption more than before. Government has always had corruption, but this group thought that enough instruments and institutions have been created to expose what previously had gone undetected. A relatively free press, the Inspector General of Gov-

ernment (IGG), and Parliament have created a more open atmosphere: “More light is [now] being shed on government activity.” These respondents said that, over time, exposure will help reduce corruption.

Very few parliaments on this continent have been empowered as well as the current Ugandan Parliament. Inspection officers lead us to information that goes to a free press, and our press is one of the freest. Some believe that exposure fuels corruption or makes players more cautious.

Civil servants are now more cautious and transparent in managing public resources. The increased exposure of corruption has made civil servants more circumspect about their activities.

Many of us who are now managing public resources are very cautious in every activity, from the process of tendering—even without the Bank procedures—to everything you have to examine, every step you take knowing that in near future there will be a third party [investigating] you on what happened. There is more caution and definitely a reduction in corruption.

Investigating and punishing corruption sends a message to the public and the corrupt. These respondents pointed out that it is not enough to expose corruption. Consequences must ensue if public confidence is to be restored. Ugandan society tends to trivialize corruption.

I witnessed a punishment in Tanzania in 1982. They used to auction properties. It was very harsh; that sent a message down to the grassroots. They see that a villager, who is now a managing director in the city, has been caught—they auction even his banana plantation to the village, the cows. Today there is no real action or punishment.

Once there is an accusation, it needs to be investigated up to the finest detail, and then it needs to be prosecuted up to the finest detail, as happens in many other countries. Go into

their bank accounts. If someone has been guilty, then punish them.

Strong civil institutions, both government and nongovernment, need to be built to fight corruption rationally. Civil society seems “fairly weak in Uganda compared to other countries in the world,” which means that it is even more important for the citizenry to see that government has the will to fight corruption. If an issue arises, it must be investigated thoroughly. Quite a number of NGOs these days are very organized and are “investigating some cases” or coming up to “talk about” corruption. Meanwhile, blanket accusations must be avoided; just because one person in a unit has engaged in illegal activities does not mean that colleagues have as well. Investigation must follow a rational process.

We have the law and if we see that a person has been corrupt and is being investigated, then the public sees that as well. Over time, we shall build a society that thinks and understands that corruption is wrong.

The police, the IGG, and the judiciary lack capacity and resources. The police, the IGG, and the judiciary lack very simple facilities and equipment (for example, lie detectors, recording equipment), research facilities, and basic capacity building.

People are not prosecuted because there is no evidence directly tied to them, other than people saying they are corrupt. Organizations charged with investigation do not have adequate resources. They need access to research facilities, but some are using hearsay or rumor collected at a restaurant. Some key institutions lack the funds to do an independent and thorough investigation. An office like the Inspectorate General cannot do its job, because it does not have the funds to do so.

Buy the police a lie detector machine so you can give evidence. I have been in the court system and you had to talk very slowly, because they don't even have cassette recorders.

Everything is taken down in shorthand and it takes forever. You speak and they say, “Hold on, you're talking too fast.” They need research facilities, getting the best people to come and work in the prosecution system.

The Bank should play a stronger role in highlighting abuses. The Bank, however, should make its standards clear rather than relying on local institutions to set these standards. In funding projects, the Bank should make clear what its expectations are regarding ethics, honesty, and good governance. When Bank staff see abuses and corruption, they should be more vocal about it rather than leaving it to others.

The Bank's approach is, “We lend money, the government implements the program, then we review it together.” The Bank might be a bit more proactive in making noise about it.

Private Sector Development

The Impacts of Inadequate Infrastructure on Private Sector Development

Key Questions

Surveys of people in private business have pinpointed inadequate infrastructure as major obstacles to Ugandan business.

- Do you agree?
- What initiatives have been taken to fix these problems?

The present infrastructure hampers investment and growth. This group agreed that infrastructure weaknesses hamper private investment. Power, for example, remains inadequate; telecommunication is improving but is still too expensive and inaccessible in most regions (mobile phones are still too expensive for the ordinary businessperson); water is a major issue. New businesses sometimes fail or relocate because of infrastructure problems. Lack of infrastructure inconveniences everyone from the large-scale investor to the small-scale household producer. Temporary access roads can be built, but electricity and water are much more difficult to install on an individual basis.

If we want to have industrial parks, we have to restructure water, electricity, [tele]communications.

One of the biggest impediments to the private sector has been infrastructure, including in the rural areas.

Electricity here in Kampala? Out of seven days, most areas have no power for four days.

The GOU computed that about 60 percent of the cost of exports is based on transportation costs. If we manage to lower that, we could be much more competitive in the region.

Rural infrastructure is particularly poor. The private sector also operates in rural areas, and one of the biggest impediments to private sector development in rural areas is infrastructure, particularly roads that are so critical for linking rural areas to their markets.

The Bank's Approach to Infrastructure

Bank and GOU attempts to improve infrastructure cannot proceed sector by sector as discrete, separate steps. Initiatives to improve infrastructure have not been very effective thus far. The Bank and the government have both viewed services sector by sector as “separate functions” rather than as integrated infrastructure supports for investment and development.

We spend a lot of money on roads, but we haven't looked at our axle policy—we have huge trucks destroying the roads and the standards of repair are very poor. Yet, if the government put money into rail, we could see many benefits.

Poverty Reduction and Social Development

Regional and Sectoral Differences in Poverty Alleviation

Key Questions

Recent surveys by MFPED reveal that poverty in Uganda went down from 56 percent in 1992 to 46 per-

cent in 1996. Cash crop and coffee farmers have done well. These surveys also reveal that regional disparities have increased. The North and East have had less success in reducing poverty than the country as a whole.

- What does this mean about the government's approach and the Bank's support strategies?
- What could the Bank have done about this, particularly in the North, where conflict continues?

Development cannot occur without security.

The projects funded in the North were as successful as they could be in the context of war. Infrastructural development is impossible without a functioning administration and personnel. For example, water installations may be in place but consultants and engineers refuse to work in the region. This group did not readily identify any strategy that the Bank might employ to mitigate the situation. Put simply, the “context is not conducive” to development success.

In education, we've had several projects targeting those areas. Unfortunately, there are new schools that stand empty because of security problems. We have communities living in camps and children in temporary classrooms when, according to our data, we think they have a sufficient number of classrooms. Yes, they are there, but they cannot be utilized.

Bank Performance in Health and Education

Key Question

- What is your assessment of the Bank's performance in the health and education areas?

The Bank has gone a long way in reducing poverty through the reform of primary education. The Bank has done much to implement poverty reduction and social development programs. In particular, through its support of UPE, the Bank has addressed accessibility issues and targeted equity and quality by providing instructional materials, promoting teacher training programs, and strengthening the policy development process of the Ministry of Education.

So I think the Bank has tried to reduce poverty, because we believe in an enlightened community—if everyone has an education, then that will definitely alleviate poverty to a certain level.

Changes in the Bank's approach have strengthened the education sector. For the most recent Bank-funded Education Sector Adjustment Credit (ESAC), changes in the Bank's approach resulted in improvements. Respondents pointed to the positive impact of moving away from the project approach to the budget support approach. Moreover, holding negotiations in Kampala (instead of in Washington) was very useful to the education sector, because staff could better mobilize needed information from their home base.

ESAC funds were given to support the national budget, then we as a sector agreed on conditions, objectives, and budgeting. This has been a very big shift from the normal operations of the Bank and we think it has strengthened the sector. Now, instead of having individual projects, programs that are Bank-funded lie within the sector budget.

Since we developed the education investment plan, the Bank assists us in following our education strategic investment plan rather than looking at small components. Funding is given through budget support and geared toward supporting our plan. This way, maybe we will avoid what has been going on with water; in that we will have joint reviews with the Bank as a funding agency. Rather than having separate missions, we will have one mission comprising all funding agencies that lend support to the budget.

Addressing Gender Inequalities in Sectors

Key Question

- How effectively has the Bank addressed gender inequalities in sectors such as health, education, and agriculture?

The Bank has not designed project activities to address its gender balance objectives. Several

Bank projects (such as those in the water sector) contain explicit objectives to improve gender equality, but project design is flawed. The projects have no specific activities that address the gender issue. Such inadequacies of design vary from project to project and with the time when the projects were designed. The older projects were less sensitive to gender equality issues; the newer ones incorporate specific activities that will encourage gender equality.

The [recent] Water and Sanitation Project [contains] a component [to increase] women's participation, not only community participation, at the county level and in villages.

UPE is the best instrument for addressing gender concerns. UPE is the most important Bank-supported program that will improve gender equality in Uganda. The objective is to ensure that every female child receives primary education. Because roughly the same number of girls and boys attend school, UPE should eventually achieve a broad range of gender equality goals.

In the Ministry of Education, we have to ensure that gender considerations are being addressed. In [the education project] we have specific components that target women and girls. In the outreach programs, we have gender sensitization, ensuring that all the [instructional] materials are gender responsive. We also have an incentive grant to promote girls' education by looking at the districts with the lowest female enrollment rates and highest drop-out rates of girls. Schools in those districts compete for grants, to ensure that no girls drop out or that more girls come into the system—that all girls complete the cycle.

Note

1. NEMA was initiated by the government in 1996 and is a statutory agency; for the first five years, NEMA was supported by a Bank credit under the Environmental Management Capacity Building Project.



CIVIL SOCIETY

So if I were the Bank, I would have charged for that [liberalization policy] advice, but rather than charge the Uganda government, they give us money for it.

Corruption is as insidious as AIDS. Plug the holes—don't be shy.

Seven participants from seven civil society institutions attended the focus group, including a member of Parliament and representatives from East African International Development Consultants, Makerere University, New Vision, Transparency International, and Uganda Economics Association.

Key Lessons

- Consult across the board, as widely as possible. Promote participation to foster transparency, monitoring, and ownership of projects.
- Empower civil society and marginalized groups, such as women, at the grassroots level.
- Put education first (especially for reducing both corruption and poverty); educate women in particular. Use laws to compel school attendance.
- The Bank should fight corruption as it fought AIDS—with a massive education campaign; co-opt FM stations into the fight against poverty; push for more open disclosure of government information; improve the efficiency of its own operations; and launch an extensive public education campaign about Bank projects to enlist beneficiaries as allies in monitoring project progress and the use of project funds.
- The Bank should focus on corruption by sensitizing politicians to corruption and their roles in the political processes, strengthening local governments as development delivery mechanisms, withholding project funding

from sectors with high leakages, and identifying leakages and “plugging the holes.”

- The Bank should address the reality of decentralization and consult widely across the board to get authentic local views on Bank policies and programs, strengthen district capacity, and promote leadership and cooperation between elected officials and administrators.
- To enhance the effectiveness of its poverty program, the Bank should refocus attention on the district level and on agriculture. A district focus would help tackle the real differences in poverty at the district level. The emphasis on agricultural modernization would address the need for an integrated approach to agriculture (as an instrument of poverty reduction), focus research and technology on farming systems, widen extension networks, and encourage proper marketing.

Assessment of the Bank's Objectives, Approach, and Relationships

The objectives underlying the Bank's policy and lending interventions in the past were to help the

Government of Uganda (GOU) achieve stabilization and lower inflation through demand management policies in line with International Monetary Fund (IMF) programs, help Uganda achieve economic recovery through better resource allocation and promotion of private sector development by promoting institutional improvements and reforms in the incentive and regulatory systems, and improve the country's human resource base and the welfare of the population, particularly in the rural areas where many of Uganda's poor live. (This goal later evolved into a more explicit poverty reduction and social development goal.)

Key Questions

- Were those objectives the right ones?
- To what extent is the policy environment here conducive to rapid growth and stabilization and to achieving these kinds of objectives?

Bank program objectives were on target. These civil society respondents agreed that the objectives were “absolutely correct.” In the context of a destabilized economy and markets and poverty, an emphasis on stabilization and recovery was right. Initially, the emphasis was entirely on macroeconomic considerations, but this may have been a necessary evil, given Uganda's instability and low resources.

Bank (and IMF) conditions are associated with many of the GOU's policy successes. The Bank has been associated with many good policies—for example, liberalization of coffee, trade, and foreign exchange markets; the return of expropriated properties; UPE; reduction of military expansion; the promotion of transparency; and capacity building.

We often get money as an inducement in order to put on board what in normal cases should be common sense policies. Those [policies referred to above] are decent policies, which most of our politicians were opposed to.

If the Bank had not told us to open the foreign exchange regime, we would still be hav-

ing state-controlled enterprises that are not benefiting the people. If I were the Bank, I would have charged for that advice, but rather than charging the Uganda government, they give us money for it.

All the so-called great policies being trumpeted around as greatest successes are policies [of] the Bank and other donors.

Bank and GOU objectives have been mutually consistent and the relationship beneficial. On the policy side, these respondents said that “a smooth fit” has existed between the government and the Bank in pursuing the objectives listed above. Government has largely agreed with Bank precepts and programs. In addition, the relationship has been a mutually beneficial one.

Our government does not just go to beg for money from the Bank. I want to put the picture in a less confrontational manner. As much as we need the money, the Bank also needs to lend the money; otherwise it will not survive as an institution.

The Bank's reliance on conditionality distorts ownership. The Bank's conditionalities serve as mechanisms of “control” over the Ugandan government. While Bank conditionalities previously involved macroeconomic policies, one respondent believed that the Bank was too involved in micro management. Such reliance on conditionalities affects the ownership of the reform programs with which the Bank is associated. In contrast, other donors rely on stringent monitoring systems, not on conditionalities: they do not “control.” They “monitor.”

They are controlling the system through those conditionalities. This brings up the question of ownership of programs.

Other participants countered that the Bank uses conditionalities because it has an obligation to ensure that its funds are used effectively, within an appropriate time period, to achieve the objectives for which they were intended.

I think the Bank is under obligation to ensure that when it loans money, that money performs and is seen to yield some result after some time. The fear is that, with corruption and so on, it may not even do what it was meant to do.

The design of liberalization programs left no “fallback” position open for those hurt by reforms. When designing structural adjustment programs, the Bank made little attempt to identify potential losers and to mitigate the adverse impacts of adjustment.

Given the social framework of Uganda, if you have many middlemen, for example in the black market, and you liberalize trade—and they have no alternative—then you will have a rise in dissent. If no fallback position is in place for this category of people, even a good policy may not go far.

Information on the GOU-Bank program has not been well managed. While the GOU and the Bank have agreed on the program, there has been too little dissent and debate. The public were totally uninformed about Bank programs.

There has been very little dissent with Washington over the years. The reaction to this in Parliament, which is the most informed and responsible part of the public, is amazement that government should be so supine in accepting Bank programs absolutely as they are represented, with all the conditionalities attached.

Fragmentation and lack of communication exist among the various players. A good policy fit between the Bank and the GOU is not enough. Communication with stakeholders about the policies and a sense of ownership are both essential to development success. Even within government, the “implementers of policy” were not part of the “policy formulation” process.

In addition, even when policy “on the books” is appropriate, if stakeholders see policy as an initiative of the Bank and IMF, rather than of

the GOU, a feeling emerges that “somebody is pushing something down their throats.”

Consultation should guide the objectives. Since borrowing from the Bank increases Uganda’s public debt and Ugandans need to repay the Bank money borrowed for development purposes, the consultative process is very important. The objectives of borrowing need to be kept in the forefront of the relationship.

It is our money, because our grandchildren or our great-grandchildren will have to pay for it at some time. If we can negotiate the best deal for them, so much the better. We will get the money and they will have to pay the debt.

One participant pointed out that Bank loans to Uganda are provided at concessionary rates.

We borrow at IDA rates, very low interest rates. If we went to the marketplace, we would have to pay higher rates. If I were the Bank, I would charge the government of Uganda for [the] advice [that accompanies Bank loans].

General Perceptions of Bank Involvement in Uganda’s Development

Key Question

- How do people view the Bank in the development process?

The Bank is not visible. Other than parliamentarians, the public is relatively uninformed and unaware of Bank positions, plans, and programs. In the 1960s, when the Bank was heavily involved with projects, the Bank was very visible. Now that it emphasizes programs, the Bank’s image and presence are “diffused” to the point, this group said, that most Ugandans do not even know that the Bank exists: “If I took you to my village, you would be very surprised to meet such people.” While people in the villages have little knowledge of the Bank, they might know that “friends of Uganda are giving big

chunks of money to the government.” Thus, perceptions of the Bank most likely emanate from Kampala constituencies such as those included in this study: GOU officials, nongovernmental organizations (NGOs), the private sector, other donors, and civil society. This group thought that, among “people who understand,” the perception is that the Bank has made a contribution to Uganda’s development.

In pre-Amin days, the Bank was very visible. You knew that this hospital or this school was built by the World Bank. Now, when you get a program up for the social sector, it is hard to identify the funder.

You hear only about the conditionalities. People cannot identify a program or project with the Bank. The majority of the people are not involved in these things.

The Bank has to improve its public relations. The Bank needs to publicize its own contributions to Uganda so that Ugandans are able to appreciate the Bank’s role in the country’s development process. The public should at least be made aware of the Bank’s successes. Because of the lack of a public-relations effort, Bank programs and funding are often attributed to government or commercial banks. This situation is now changing with the Bank’s recent efforts at public relations.

It comes as a surprise to the public when Bank projects affect them either beneficially or derogatorily.

I want to say that the public relations (PR) of the Bank has not done enough to make the Bank known to the people.

They have realized this and they have been doing a lot of PR recently.

The Bank’s role is acknowledged at the university level, where capacity building has been successful. At the university level, the Bank’s significant involvement and success in capacity building are much appreciated. The Bank has

recently funded training for almost 50 Ugandan staff at Makerere University in research and teaching. The Bank has also strengthened research in the National Agricultural Research Organization, which has led directly to a solution for cassava mosaic disease. Such programs, however, are too technical for the community to be aware of them, and their sustainability is an issue.

The sustainability of those programs scares us. When the Bank stops funding, is the university ready to continue? We may not have people to run the program. The programs that are short term, five years, work, but we should make sure they are long term.

The Bank deals with governments at the central level but needs grassroots contact. The Bank’s mandate dictates a “natural partnership with government” but the group was most emphatic that the Bank “has got to go to the grassroots,” not just rely on figures from the Ministry of Finance, Planning, and Economic Development (MFPED), particularly if it wishes to assess the impact of its policies or the extent of poverty. MFPED “does not go to the villages and rural areas in the first place.” However, one participant pointed out that much depends on the “people who are running the Bank . . . here in Uganda.”

How many times has the Ministry of Finance [now MFPED] gone to find out how many poor people there are?

I am pleased to say that, once or twice, I have had the pleasure of going with some Bank people right down to the grassroots, sleeping in the bush with them, and they do have personal relationships with the people on the ground. They do get to hear what the people are really feeling and thinking about some of the activities that impinge on their lives, like health centers, like roads, like education and schools, like women. It depends very much on the people on the ground, but the mandate is not between the Bank and the grassroots, because after all, the Bank is a money lending institution to governments.

Bank administrative expenses are too high. A significant portion of Bank technical assistance (TA) goes into paying for “Bank expenses,” “expatriate advisers” (even when local expertise is available in Uganda), and globetrotting by Bank staff to attend “small workshops.” The Bank’s “auditing and evaluation” of such expenses is “weak.”

Some of us think that the Bank is a part of the global network of consultants. In practice, each project ends up with a consultancy, which makes an appraisal that there is need for another project, so we keep shifting from Poverty Alleviation [to] Poverty Action—finish that one up for five years—to Poverty Reduction Action. It creates jobs for some people who have specialized in the programs and projects that consultants write.

Consultant fees far outstrip the incomes of the highest-status professionals in Uganda (such as doctors or attorneys).

People come from another Third World country, like Nepal or Indonesia, and say, “Why couldn’t they get local people who can do the job?” At the end of the day, in my view, the Bank is not assisting the ordinary person to uplift his welfare. This is one reason the auditing evaluation method of the World Bank is weak. It is deliberate, because the Bank is run by human beings. One of them is a friend of mine, and I know that each time there is a mission in Uganda, he schedules from Washington and is here for two days. The next day he is in Tanzania, the next day in Nigeria. His pay is \$300 a day—that is the monthly salary at the University in Uganda. The monthly salary for a medical doctor is half that.

Bank processes, which are bureaucratic and slow, postpone development benefits. Bidding and civil works processes were singled out by the group. Participants also noted that had Uganda foreseen such delays, it might have chosen “a shorter, more immediate route to achieving a solution.”

You go through processes and by the time you get your funds, sometimes the program has gone.

Especially in civil works, they are slow.

We’ve been bidding for the last three or four years.

This delay in funding a program actually defers the benefits that are delivered by it.

The Bank’s Approach to Corruption

The Impact of Corruption on Development

Key Question

- To what extent has corruption undermined development?

Corruption has hindered but not stopped development. Corruption is a delicate subject. Corruption has impeded but not stopped the development process in Uganda, because it simply adds “an inflationary charge” to the cost of development. Government inefficiencies are as much a cause of slow development as corruption is. Lack of transparency contributes to leakage of funds.

Bank funding can contribute to corruption. To the question, “To what extent has corruption undermined the development process?” some civil society respondents replied that the Bank itself has contributed to corruption because it has not been transparent enough about policy formulation, program identification, implementation, and evaluation. The Bank needs to install strong correctives to the lack of transparency; this group was not aware that some measures had already been taken.

We think there is too much structure and irresponsibility in Bank operations, which makes it very difficult for the Public Information Officer to work. It would be wonderful if that were circumvented.

I see no change in the World Bank’s administration in country programs or in govern-

ment's operations to produce information for the government, press releases for the media, and the continuous, honest flow of [information on] policy formulation, program identification, implementation, and evaluation.

One participant asserted that the blame for corruption should not be laid at the Bank's door.

We have no one to blame for the misuse of money but ourselves. If we are given money to build dams and we put it in our pockets, I don't think we should blame the Bank.

Monitoring and evaluation of the Bank's projects is weak and its assessments are not widely accessible. Evaluation has been particularly weak: "It is scarcely done at all." Respondents held that very little post hoc, postmortem activity takes place, not only for Bank-funded projects but also for the whole United Nations system. With large amounts of money flowing into the system, opportunities for abuse and misuse abound. One participant, however, pointed out that Bank evaluation (supervision) has contributed significantly to the education (research and training) project. However, such evaluations are not published: their circulation is restricted to the Bank and other institutions (donor and local) involved in Bank projects.

The Bank has been severely criticized by people within the Bank: "Why are you requesting that the government reallocate budget resources to social sectors, if there have been so many leakages?"

It is not impossible to close those leakages, but the Bank cannot do it. It is up to us to close those leakages. If I were the Bank, I would say, "I'm going to put money in this basket, provided the basket is not leaking." It is a rational thing to do.

We have a World Bank project now, working with education, research, and training. This one has [bad] vigorous evaluation, I think twice a year. The mission from World Bank

comes, they evaluate our programs, and I think through that evaluation actually they have made very good successes in the project, because they get to the problems before they accumulate and apply corrective measures. In that one, I think the World Bank has made significant contributions in terms of evaluation.

Leakage of funds has hampered the social development of vulnerable groups. The biggest impact of corruption has been on the social welfare of vulnerable groups. The amount of funding that flows to the target populations seems "very small." These respondents cited research conducted on health projects, showing that only 26 percent of aid flows to beneficiaries. Respondents believed that villages are worse off than they were 20 years ago, because funds intended for hospitals, water, and sanitation have been "leaked." Corruption is a serious problem because it leads to hopelessness.

Too many leakages—corruption! Do not be shy. If the Bank finds a leak, close it! You must plug the holes!

A survey conducted two or three years ago found very large leakages in health and education. Many children can no longer attend primary school, which we attended 30 years ago. There is no hope for the children in rural Uganda. About 80 percent of them receive no secondary or university-level education, and that is a near crisis.

Technical corruption is more insidious than financial corruption. Technical corruption is a more subtle form of corruption than financial corruption because it subverts the intent of a policy and affects the extent of funds flowing to beneficiaries. Technical corruption affects Bank project impact in every sector through "a gradual, subtle escalation of program components, so that they move out of the reach of the people." Bank professionals prefer larger, integrated projects to more modest ones: large projects are much easier (for a few people) to manage and are much more conventionally designed. The influence of these professionals often tends to

move projects out of people's reach and into centralized locations or large project entities.

Technical corruption is not normally seen as such, but it corrupts the intent of a policy during the process of program formulation and design. If, for example, Tesso wants better health care, instead of having clinics, somehow a hospital will emerge from the program design process.

In every sector of the economy that the World Bank has worked on, there has been a gradual, subtle escalation of the components of the program. This happened recently in the Valley Dams project component, where we were expected to get a multiplicity of small dams to assist agriculture in irrigation and livestock watering. The project ended with fewer than 15 planned dams, because the project's scale was escalated by the engineers and bureaucrats in charge, [and Ush 3.4 billion contributed by farmers disappeared].

Rapid changes in staff hinder accountability. The turnover of task managers is high in the Bank but even more rapid in the GOU. Therefore, responsibility and accountability are difficult to pin down, particularly over the long term. Identifying the responsible persons is "impossible for members of Parliament (MPs), for the public, for the media." Long-term responsibility should be clearly assigned to enable tracking of projects through to performance audits.

The Bank's Governance Program: Integrity Workshops and Training Seminars

Key Questions

The Bank has also supported Inspector General of Government (IGG) efforts to conduct Integrity Workshops for Parliamentarians, judges, magistrates, cabinet members, civil society representatives, and journalists. Annual workshops have been conducted since 1995 to increase awareness of the prevalence of corruption.

- What have these workshops achieved?

- What could the Bank do to reduce corruption and increase the efficiency of programs?

The "Integrity Workshops" sponsored by the IGG with Bank support have enhanced capacity and assertiveness in holding government accountable. Government has responded positively and is less likely to ignore public pressure. The IGG has introduced regular press "discourses" and uses the information. Even the judiciary, which hitherto had not had any disclosure policy, disseminates information to the press. The press and MPs are in closer contact, and MPs have raised issues on the floor based on information from members of the press.

The chairman of the Judiciary Service Commission finds it easy to call pressmen and give some information on what is going on in his department. I think these workshops and training seminars have been effective.

Or where I [a journalist] have got information and I don't want to take liability, because I am not protected by law, I know for sure that sometimes we have given documents to a Member of Parliament.

Civil society groups have followed the lead of the Integrity Workshops. As a result of the workshops, Makerere University started a program that trains arts and sciences graduate students in integrity and ethics. A better working relationship exists now between the media and government agencies and other civil society groups. Transparency International was founded in Uganda as a result of the training.

The Integrity Workshops have been associated with more openness on corruption. Although participants acknowledged that greater openness and discussion of corruption issues were associated with the Integrity Workshops, it was difficult to establish where the impetus for greater openness had come from: the Integrity Workshops or the increase in corruption itself.

The truth of the matter is that I do not know which has led to what: Is it the amount of

corruption that has led to more openness or is it the Integrity Workshops that have enabled the media to highlight the issues of transparency and accountability? Or both?

Journalists have been emboldened. The Integrity Workshops encouraged journalists to prod government for information on corruption and the Bank on projects.

After these Integrity Workshops, journalists demanded information from government bureaucrats, from World Bank-funded projects, and we're now more emboldened to discuss them in the media.

The Bank's image has improved. Before the workshops, some participants had held the view that the Bank condoned corruption; the Integrity Workshops helped dispel such misconceptions.

There was a lingering feeling among journalists that maybe the Bank itself was not above being corrupted. They probably were willing players in this corrupted game. Yes! It was not until these Integrity Workshops that the likes of us realized that we probably had allies within the Bank.

Key Questions

The Bank's Economic Development Institute (now the World Bank Institute) also carried out training seminars for journalists for investigative reporting.

- Have these seminars really helped to expose corruption?
- Do you know of any journalists who were able to take part in any of these training workshops for journalists?

Investigative reporting seminars have helped journalists build skills. About 250 journalists received training from the Bank's Economic Development Institute.¹ The main focus was on investigating corruption and graft in public offices and the accountability of government. The seminars did not focus on corruption in development.

In practical terms, it has been very useful. I wouldn't say 100 percent because many of

these journalists ... come from up-country stations. They get back and the skills they learned cannot be put into practice. I can personally say I have benefited.

Networking has widened journalist contacts. Networking with other journalists, ministers, government staff, MPs, and other members of civil society was as important as acquiring skills.

It is easier for me having made that initial contact with a member of government or a board, and it is now easier for him to approach me with the information. The police said even [X] is a very great ally—he often gives information that should have been confidential. He calls and says, "Please do not say it was from me."

The networking has been great. For the first time, you can bring a hundred journalists together who have never met before. When I meet these members of Parliament at the workshop, they can say, "There's a government position on this, but I do not agree with it."

The training seminars increased awareness about rights of access to information. Awareness of government's disclosure policies and of the types of information that the public has a right of access to should empower the media and the public.

I got to know there are certain places where I'm actually entitled to get information, which I didn't know.

The training impact is limited by the nature of the Ugandan press. The impact of investigative reporting is limited, respondents pointed out, because the print press in Uganda tends to be politically biased and not entirely free. Owners of media outlets have strong political affiliations. Coverage of economics (and development) is a recent phenomenon. Moreover, the impact of the workshops may be diffused because many journalists go through the training and then leave for better paying jobs in other professions. Finally,

the training has not been 100 percent successful, because it has not reached journalists at FM stations or producers.

Our media is politically biased, so most of the coverage is about politics and very little is about economics. People want to know more about politics than the economy. Now, though, people have an interest, and papers have devoted pages or sections to development issues.

It is not very useful to train the journalist when the proprietor does not allow her to publish certain information.

What Else Can the Bank Do to Reduce Corruption?

The Bank should push for more open disclosure by government. Presently, a government officer is empowered to withhold information for five years. If journalists are supposed to promote transparency and accountability, “that five years is a lifetime.” The Bank should put pressure on government to repeal some of the laws relating to information management.

It is high time that the Bank pressures government to deregulate control of information.

Journalists need training on how government works. In addition, the Bank should train media houses and personnel, through workshops and university courses, to understand how governments work. Along with open access to information, this strategy would help empower the media.

The Bank should consider supporting the popular but expensive university degree in mass communication, which lacks equipment. The program should routinely include a course such as investigative journalism.

It is very hard for a journalist trying to locate information. The Bank could ... train the media to investigate accountability procedures of government. That would enhance the credibility of media reports on corruption, diversion of public funds, and development issues.

Journalism workshops should include FM stations and newspaper proprietors. Disc jockeys and others who work in FM stations, which reach a much larger proportion of the population than do newspapers, should be invited to the journalism workshops.

The most effective media is the FM stations. The print media reach 40,000 or 50,000, but the DJs who spin disks have so much more influence. Some of their influence, because of their lack of analytical skills and lack of information, is very negative. You need to tell them, “You may be spinning a disk, but try throwing out this word or that word, and see what it could do for the fight against corruption.” The good thing is that, culturally, in any society, corruption is a taboo. Even these disk jockeys end up fighting corruption out of sheer gut feeling. They need more analytical tools.

We need the president of the FM station. The Bank could have “corruption programs” on FM stations. Some of the most powerful anti-corruption messages come in by accident. DJs have jokes about corruption and they are effective. The DJs are more in tune with the ordinary person.

We wanted the proprietors of the many [newspaper] houses to be in contact with the Bank to be given similar exposure.

Corruption must be fought like AIDS, with a massive education campaign. Participants felt that information was the best weapon against corruption. They drew on the country’s (and the Bank’s) experience with AIDS to suggest that an education campaign about corruption was necessary to mobilize, in particular, the parts of civil society that were outside the reach of newspapers.

Corruption is as insidious and dangerous as AIDS. The Bank should tackle corruption as it did AIDS, with an education program. The IGG is too hampered by lack of funds.

Why doesn’t the Bank intervene on the issue of corruption through massive advertisement

companies? Direct to the people. A campaign—funded—until the ordinary person realizes that corruption hurts him so that he can force his representative to fight against corruption. . . . But if we had proper education through a campaign, we could mobilize at least some 15 million.

To be a watchdog against corruption in Bank projects, civil society needs project information. The Bank should regularly release information to the media on its projects to enlist the Ugandan population as allies in monitoring corruption. The Bank should insist on open communication as part of its agreements. Information on Bank assistance could counter the impression often created by ministers that they have “brought the projects to the people” and that these projects are “costless.” If beneficiaries knew that the project costs had to be repaid, they would “look after it.”

Before project approval, the Bank should inform the press, the media, and MPs about the project, loan terms, the sector involved, the districts covered, and so on. Following project approval, the Resident Representative should travel to the district to ensure that project monitoring by all beneficiaries moves into high gear. Such a public information campaign would not only trigger a grassroots monitoring system; it would also help the public realize that the people pay for projects with their tax dollars and do not owe politicians their vote in exchange for the project.

Tell, print, announce, show pictures. If there is a World Bank loan we have just been given for whatever, [show] the Resident Representative shaking hands with the minister, and a caption saying, “This money is for X.” Equip those districts with the knowledge that this loan is for this and this and this and let everyone . . . know about it [so they can act as watchdogs].

Politicians like to say, “I have brought this project . . . to you.” Surely if I am a poor man, I have to assume it is free. You have to involve people: “This is your dam; the money is yours because you have to pay it back.” Then people would look after it.

Parliament is already vetting loan terms but the Bank could help with research support. Parliament is empowered by the constitution to vet the terms and conditions of each external loan. While this may restrain corruption, Parliament is itself constrained by its lack of access to documentation, research, and information. The Bank could help equip Parliament with the instruments it needs “to be well informed on all the programs at an instant.”

I think it would be very useful where, apart from the access on screen of material, also some kind of research assistance for MPs [could be supplied]. At the moment, there is no central research desk that will give you some information.

The Bank should deal with decentralized governments directly. To reduce leakages, the Bank should set up a structure to deal directly with decentralized governments and monitor them.

A Bank procurement person should monitor the process. These respondents noted that the Bank has consistently complained about the procurement system in Uganda because it fosters corruption. They questioned why the Bank does not hire a person whose sole responsibility is to monitor the procurement process. The person would publish program documents, in resume form, and weekly reports through the press on all programs.

Participatory Processes

Bank Performance Has Improved

Key Question

There have been reports that in the early years, the Bank did not rely on participatory approaches in terms of involving beneficiaries in civil society.

- To what extent do you agree with that, and has it changed or improved?

The Bank has become increasingly participatory. During the past two years, the Bank has become more participatory in its approach. Whenever the Bank has a mission, whether on corruption or for procurement, “they have come

to get our views.” Although changes are slow in coming, this group felt that both Bank staff and Bank approaches have changed recently toward more consultation.

Prior to the last donors’ meeting, a Bank team came to assist with corruption levels. The team traveled around the country, meeting various groups. Participation has improved; we wish to see more of that.

When this project in research and training started, all through it there were participatory discussions with the Bank. When we did the research on privatization, we all discussed it and tried to reach a consensus. Thinking has changed—that’s why we have this positive response.

The Structural Adjustment Participatory Review Initiative (SAPRI) has created good working relationships. The Bank, the GOU, and civil society have been involved in SAPRI, looking at the impacts of Bank adjustment policies. SAPRI draws on all key actors in government and in civil society and also advises the Bank on poverty reduction. Programs such as this lay a foundation for local ownership.

With SAPRI, the Bank heard straight from the people. Some people said that privatization and liberalization were legalized robbery.

The Bank is more open to criticism. For example, when the Bank SAPRI team came in June 1998 to attend the first national forum held in Uganda, local people expressed “very strong opinions” on such policies as liberalization, privatization, and free market economy. Subsequently, the Bank held another consultative meeting with the members of SAPRI, which resulted in a document. The next stage involves research at the grassroots level on the various structural adjustment programs (which have an impact on trade, food security, the civil service, and governance). There is a “new openness” in the Bank.

The Bank is more participatory with country recipients on project design and appraisal. The

Bank is much more participatory, not just with Ugandan bureaucrats but also with the Ugandan private sector and local beneficiaries, on the design, appraisal, and “even actual management of projects.” Even the government has become more participatory as a result. The Ugandan situation is also special in that Parliament is required to look at the “spirit of [the] contract” before the government can borrow any money.

At least I have been invited to three projects at the appraisal and design level.

I do notice that these days, even in purely government-governed projects, there is always what we call launch workshops.

I don’t know if it’s peculiar to the Ugandan situation or if it is now how the Bank always practices, [but] the objectives [are identified], the press is invited, the stakeholders are invited. [This] has tended to enroll more the local people.

Awareness varied by activity. Most civil society respondents were aware of SAPRI and the privatization seminar. Less than half were aware of the Country Assistance Strategy (CAS) consultations, and only one person knew about the focus groups connected with the Poverty Eradication Action Plan (PEAP). Two or three respondents had actually taken part in one or more of the activities identified here.

SAPRI was a consultative Bank exercise involving MPs, the GOU, NGOs, academics, and other representatives of civil society (five out of seven were aware of SAPRI).

- The Bank’s Privatization Program was discussed at a seminar for parliamentarians (five out of seven). “The timing was wrong, but it happened.” Discussions were also held on the Private Sector Foundation.
- The Bank Group arranged for prior consultations on its 1997 CAS with central and local government officials, donors, representatives of the NGO Forum and the Private Sector Foundation (three out of seven).
- Participatory research through 50 focus group discussions on agriculture, health, and

education services were held in preparing the 1997 CAS to help devise strategies for rural poverty reduction in the context of the PEAP (one of seven).

- Since 1997, regular channels of communication have been established between Oxfam, the Uganda Debt Network, MFPED, the Bank of Uganda, the IMF, and the Bank to help create an environment for debt relief, in donor capitals as well as in Uganda (not counted).

Apart from SAPRI, which was well attended by civil society representatives, participants commended the consultative exercises on the Private Sector Foundation (there was a lot of input from local Ugandan people) and the debt relief initiative. One participant felt that the others might have been mere “tokenism.” Nevertheless, they were steps in the right direction.

The Bank’s reach is extensive. Formerly, the Bank dealt only with the GOU. Now the Bank reaches out to the media, MPs, and many other organized civil groups like the lawyers. However, as one participant pointed out, “The majority of Ugandans are spectators.”

For four years the Bank has dealt quite frequently with the media. I know that they host workshops like this, training workshops for two weeks; I know that they are hosting Members of Parliament with workshops. In that respect, yes, they seem to have taken over Uganda. They have dealt with other organized civil groups like the lawyers and so on. I think this could be a watershed.

Areas Where the Bank Could Do Better

The Bank needs to address the reality of decentralized government. The group posed a series of questions: “How far down is the Bank prepared to go? Is it at least prepared to go down to the district level so that it can get authentic views from the various subcounties, or is it prepared to stop only at the national level?”

Local government structures are in place, but more capacity is necessary. Structures are in

place on the ground, in the form of a Finance Commission, accounting officers, district planners, and district auditors. However, Bank TA in the form of training or capacity building to strengthen these structures would be appropriate.

When you talk about the structures, traditionally they have been there, but there is a lot of political interference. The local council chairman, his council is so powerful that the technical people cannot make a decision. Each time they do so, they overturn it or refuse to honor it. [That] complication interferes sometimes in the work of the technical people.

The Bank could promote cooperation between local elected officials and administrators. The elected forces, the representatives of the people, and the administration should work together, but because decentralization is such a new concept, conflict occurs. The administrative and executive side of local governments believes that it is more important than the elected side, and vice versa. This creates “constant clashes” that are written up in the press. The Bank could play a key role by training the different arms of government in their proper roles and responsibilities. Some respondents argued that the national Parliament also needs to be trained in how to relate to local governments most effectively.

The Ministry of Local Government has been running around the country trying to train people, and some of us have been trying to train them at the subcounty levels. It is very true that the wars are going on and people need an education as to their roles and responsibilities.

For now, Members of Parliament believe that they are everything. They can be police, they can be prosecutors, they can be judges. It jeopardizes their credibility.

Bank participatory processes must promote democratic, responsible leadership at the local level. Another initiative should focus on the type of responsible, development-oriented leadership

that is needed in the villages. Democracy must promote leaders who do not just “eat the money.”

You must address leadership, because [lack of] democracy is affecting our local involvement. People now have freedom, so they complain: “The men in my village were not elected as leaders, so now we do not have any more roads, the bridges are broken down.”

Sensitize politicians on their role.

You must have leadership. Another word for leader is politician, so you cannot cut them out.

Social Programs and Poverty Alleviation

Poverty Alleviation through Macroeconomic Stabilization and Growth

Key Questions

Consider the progress that Uganda has made in terms of poverty alleviation and social development since 1986.

- Is the Bank helping to alleviate poverty and improve the situation?
- Has the Bank’s leadership focused the development community on macroeconomic reforms at the expense of poverty alleviation programs? What has that balance been like?

Emphasis on macroeconomics was a necessary evil. Too much emphasis was placed on macroeconomics, in this group’s estimation, but that might have been “a necessary evil” to correct the serious instability facing Uganda. Given Uganda’s resource envelope and its low level of taxation, it would have been impossible to pursue both objectives (growth and poverty reduction) without losing one or the other: “It would not have been possible to tackle inflation and invest significantly in poverty alleviation programs.”

We had to do first things first. There is no way you are going to get out of poverty until you stabilize the economy. It was important to

stress the need for macroeconomic stability in order to grow.

The Bank helped poverty alleviation by promoting growth. The Bank assisted the GOU in putting in place correct policies like liberalization and privatization. Despite inefficiencies, these policies promoted growth, and growth helped reduce poverty.

The benefits of growth have been unevenly distributed. The effects of the Bank’s contribution to Uganda’s growth have not been uniform throughout the country. The rich and the educated have benefited because they have been able to take advantage of market-driven economic policies. Coffee growing areas have benefited because coffee, a perennial crop, was easier to revive after the war (cotton, another perennial crop, has not recovered). Drought-prone regions and areas ridden by conflict have not benefited from growth.

We seem to be going in the right direction, but rich people have been the main beneficiaries of all these policies that have led to economic growth. The only people who are able to take advantage of market-driven policies are those who are educated. And the coffee farmers.

Traditionally, coffee farmers have not been poor, so you are not actually tackling poverty. In our culture, cotton farmers and coffee farmers have not been poor by any standard.

Cotton was completely wiped out, and the government still hasn’t got its act together when it comes to cotton production. Cotton prior to the “bad economic policies of the early 70s and 80s,” was the main way to fight against poverty.

Tobacco growing areas are the only areas in which a nonperennial crop has been handled well, and that has been because “the government had no hand in it.”

If we say that we are growing [with] stabilization at the macro level, that is very difficult

for the ordinary person to appreciate. We are complaining about the distribution of the so-called growth of Uganda. When you hear this complaint, it is because people are not feeling the effect of Bank assistance.

Agricultural Modernization Is Key

Agricultural systems need to change, to modernize. Uganda's agriculture is fragmented by different systems of cultivation—some areas grow perennial crops, while others concentrate on annual crops. Participants felt that perennial cropping patterns could be extended to all parts of the country with the right technology and research focused on farm production problems, an extension network with access to adequate means of transport, and proper marketing structures and know-how. Agricultural modernization is key for poverty reduction.

Most of our research programs have not really addressed farmers' problems.

The technologies we develop are too expensive for the farmers to adopt.

The problem has been also changing policies like the policies in agriculture.

The extension workers were seen to be too many and they were cut back to one or two per county. A county serves about four or five subcounties. One subcounty serves about four or five parishes. One parish serves about four or five or six villages. How can you do an extension as one county?

They don't know how to market their things, so the marketing structure makes them poor.

The Bank promotes too many compartmentalized initiatives in agriculture. The Bank tends to scatter support across too many short-lived programs to have extensive impact in the agricultural sector. Changing the focus from one product to another (for example, beef to coffee) does not work well in this sector, because agriculture has a long gestation period. Agricultural programs

need sustained attention if they are to yield economic benefits. Compartmentalization and failure to integrate plans hold the sector back.

Now they have this dairy master plan, beef master plan, now they are developing a small ruminant master plan. So you have many plans going on.

There is no integration.

The Bank is putting too much emphasis on facilities and systems, not on production. Participants pointed out that the Bank has been focusing too much on the management of agricultural programs and farming systems, not on actual production issues (research, dissemination of research findings, extension services, marketing, and the like).

The Bank has been funding projects . . . all you had were more Land Rovers, more computers, more technical assistance, and it's not serious.

Promoting the Social Sectors

The GOU has moved to the next stage of poverty alleviation by adopting the Universal Primary Education (UPE) program. Nevertheless, participants were still unsure whether Uganda had got the design of the poverty alleviation program right.

We are still finding our feet in that area, UPE, public health, and so on. UPE is only one year old, so tackling the difficult area of poverty is only one year old.

Education must be inclusive of women and poor families. Uganda still lacks distributive instruments by which government can ensure that aid is translated into social benefits for marginalized groups, according to these respondents. Lack of professors and teachers, and restricted access to public education for the poorest groups and for females, hinder the country's chances of addressing urgent social concerns. The members of this civil society focus group look to education to "solve this problem of poverty." Instead,

“education is going to collapse.” Trying to educate more people with fewer educators did not make sense to this group.

If you are going to talk about education and empowerment, you have to talk about women. In our society, education means educating women.

When I was coming up, the only asset was the teacher. We had no books, we had no houses, we were under trees, and we studied and learned. Now the World Bank is emphasizing facilities and ignoring the teacher. It was a Bank condition to reduce the number of teachers.

When UPE was introduced, the policy called for a reduction in the number of teachers. The Bank recommended a ratio of 130 pupils per teacher, and that was a conditionality of all loans to universities. How can you increase intake and then reduce teachers by half?

Leakages in service delivery need to be plugged and quality improved. The Ugandan taxpayers’ money is not going into services; it is being “leaked.” The Bank needs to inform service recipients about the services to which they are entitled and then follow up.

We had this survey two or three years ago where we found very large leakages in health and education. Given these leakages, why are you still insisting on reallocating the budget to the social sector?

Other Poverty Issues

The real differences in poverty are at the local level. To deal with poverty effectively, the Bank has to focus on the district level and to ensure that the system of equalization grants is in place and works. The Bank needs to focus on and strengthen local governance as “a development delivery mechanism.”

We haven’t got a rational formula for equalization grants.

Aid is putting pressure on Ugandan taxpayers without resolving social concerns. Millions of shillings in aid are not reaching the population to address urgent social concerns. At the same time, the middle class is being taxed to repay Uganda’s external debt. Because of heavy taxes, this class of people is not able to provide the sort of traditional “social security” assistance to its families that was possible in the old days.

I’m taxed heavily. They remove me from the money I would have used to assist my parents, and government is not assisting my parents either. They are not giving my younger brothers quality education, and they have taken all of my money.

If the GOU has more money today, if there is a growth rate of 6 percent, why do not I have money in my pocket?

Funds should be redirected toward poverty reduction. The GOU is generally spending too much money in nonpriority areas. The money spent in politicking, for example, could be spent on poverty reduction. The country is “overgoverned” and politicians are not ready to support cutbacks in their own areas.

If you decide that in order to fight poverty you must educate the people, put your money where your mouth is and not into new jet planes.

Take the money we spend in the district councils to pay councilors, the money we spend on 300 members of Parliament If you have a local council at the district, what is the rationale of having eight MPs for the same district? It is high time that we disband part of Parliament. If need be, they should sit half the session. The average spent on each member is 4 million shillings per month. That’s \$4,000—it is possible to construct a county health center with \$4,000!

Note

1. Some journalists have also attended workshops on government issues sponsored by other foundations.



NONGOVERNMENTAL ORGANIZATIONS

Nongovernmental organization (NGOs) should be involved at all phases [of the project cycle]: from project initiation through evaluation. The Bank should develop the capacity of both government and NGOs, from analysis to monitoring, because without NGOs in this whole process, there is a problem.

Four participants from four NGOs participated in the focus group. The participants represented Action Aid, the National Association of Women's Organizations in Uganda, the Uganda National NGO Forum, and the Uganda Women's Network.

Key Lessons

- The Bank should engage in meaningful participation and partnership building; consultation with civil society and NGOs should be “broad, in depth, have a reasonable time frame” and build in mutual feedback.
- The Bank should involve all stakeholders when developing country strategy.
- The Bank needs to be more open about its strategies, policies, programs, and projects and more visible, particularly at the grassroots level. As taxpayers responsible for repaying Bank debt, Ugandans need to have a clear understanding of Bank objectives and operations.
- NGOs should be involved at all phases of the Bank project cycle, not just in implementation to (a) help the Bank design projects that are viable and responsive to grassroots needs and (b) serve as watchdogs to ensure that Bank projects achieve their desired objectives. The Bank should ensure that experienced NGOs can compete for the same implementation tasks as the for-profit private sector.
- The Bank should have an independent NGO desk—with up-to-date objective information on NGO strengths, capacities, and experience—that can play an advocacy role on behalf of NGOs. The current arrangements of the Government of Uganda (GOU) are out of date.
- The Bank should explore better and more responsive mechanisms for funding NGOs, to work around its current rigid and bureaucratic disbursement and procurement procedures, which are more suited to large contractors.
- The Bank should help build capacity in the GOU and NGOs, providing the same training opportunities and information for NGOs as it does for the GOU.
- The Bank should avoid political correctness and not seek to tailor its positions to the prevailing GOU stance.
- The Bank should look at the root causes of poverty instead of designing interventions that are merely cosmetic.

- The Bank should be more of a learning and listening organization: it should be sensitive to a country's unique characteristics and open to criticism and change.

Perceptions of the Bank's Participatory Approach

Assessment of Initiatives toward Greater Stakeholder Participation

Key Questions

The Bank has tried to implement a more participatory approach in assistance to Uganda. This includes improving the awareness of the Bank's role, involving a broader group of stakeholders in preparing the 1997 Country Assistance Strategy (CAS), and promoting NGO involvement by government.

- What is your assessment of these initiatives?
- What are its strengths and weaknesses?

The Bank should demystify itself. NGOs would like to see the Bank become demystified and more open about its plans and strategies, even if they are at a tentative stage. Because Ugandan taxpayers will ultimately pay off the Bank debt with their taxes, they have a right to know how the GOU is using Bank funds.

I feel that World Bank has an obligation, because this is our money—Uganda's share in World Bank is my money, my tax money, my father's tax, my sister's tax. The World Bank has an obligation to advertise itself for us so that we know what it is, what its assets and plans are, what we own there, what its program in Uganda does. This must be communicated in a language we understand so that it is demystified. How many Ugandans know about the World Bank and what it does? It's our money. Uganda's share in the World Bank is my money just as much as it is the President's money.

The general public needs more information about missions and project purposes. Missions should first inform civil society about the purpose of the project and their visit so that "civil societies are involved as well as the government."

When missions come, civil society should be involved in site visits so that "it's not completely a government thing." NGOs also support the empowerment of civil society organizations so they are better able to deliberate on policy issues and provide meaningful micro-level project data for the mission staff.

Bank projects lack public sensitization. Bank projects, especially those that are geared toward government, lack a sensitization component that would bring in NGOs and others who will be participating in implementation.

[You should] call us into a one- or two-day discussion so that we are aware of what we are going into—creating awareness of what is going to take place.

The best tool of sensitization is to involve the civil sector. I want to quote the Chairman of the Electoral Commission. He says that the best government educates people in the civil organizations, especially NGOs.

The Bank should work more closely with civil society. The Bank has a challenge in becoming more sensitive to the people behind the government. To do so, the Bank needs to develop links with civil society, NGOs, and local governments.

I don't know how they would do it without losing their dignity, but they should go nearer to the people, especially in Uganda and other poor African countries. If you keep your ears and eyes at this [bureaucratic] level, you will never know what's going on with your clients.

Broader stakeholder involvement might have lessened the adverse impact of liberalization. Had there been greater participation by stakeholders, including NGOs, before liberalization, the policy's negative impacts might have been predicted and forestalled. Instead, the citizenry blamed the GOU and the Bank for (avoidable) "failures."

Better publicity about the CAS would contribute to community awareness and monitoring. Pub-

licizing and popularizing the CAS would enable taxpayers to know exactly what the Bank is doing with the GOU. NGO respondents said that if citizens know that the Bank will fund a project together with government in their local area, they can play a more effective watchdog role. Although the CAS is a public document, it probably resides only in a few libraries and large district offices: “The Bank needs to get it out so that the community knows exactly and ownership will increase.” Publicity means describing projects in less technical language and disseminating information through local papers and FM radio so “ordinary taxpayers get to know about it in the language they understand.”

Making it simpler, in less technical language, and putting some aspects of it, or the general aspect of it, in things like the papers or the radio, where ordinary taxpayers get to know about it, in the language they understand.

The Bank tends to side with government in its approach to NGOs. NGO respondents said that the Bank has tended to take the side of government in opposition to civil society. Government feels that NGOs cannot perform well; they are neither transparent nor monitored. NGOs say that they are more transparent than government: “We are more to the people, and we address the real needs of the people.”

Government coordination of NGOs is confused and the Bank lacks an independent NGO desk. Although the GOU maintains an NGO Registration Board in the Ministry of Internal Affairs, which is charged with security issues, and has aid coordination offices in the Prime Minister’s office and in the Ministry of Finance, Planning, and Economic Development (MFPED), both of which are supposed to deal with NGOs, this group said that much confusion exists as to NGO identity and performance. Given this context, NGO respondents expressed concern about what they perceive as a lack of independence in the resident mission’s NGO desk. If an NGO brings an issue to the Bank’s NGO desk officer, he or she has to refer it to the Bank’s representative, who in turn responds that “my portfolio is to deal with Ministry

of Finance and Economic Planning before I can say yes to this.” Thus, the desk officer becomes a direct conduit to the government: “There is no independence” and NGO criticisms and concerns get lost or watered down, perhaps inadvertently.

The coordination secretary is supposed to look at what NGOs are doing and report to the Prime Minister’s office, which used to be head of government. We expected that would be able to play a coordination role, but they’re in conflict with the NGO Registration Board. MFPED is also supposed to look at NGOs. Unfortunately, these existing institutions are not in touch with NGOs. They have never called NGOs, they have never invited NGOs to discuss, but they are charged with that responsibility.

Because of this confusion, the government (in cooperation with the United Nations Development Programme (UNDP), tried to put in place an NGO operational policy that was supposed to be discussed by NGOs. Unfortunately, again, it has taken long. They call only to say that it has been postponed.

The Bank should give NGOs more time for participation. The Bank’s relationship with NGOs is strained because of late notice of events and meetings. Such shortfalls imply a lack of respect for NGOs by the Bank and result in weaker involvement than is warranted. NGOs would like to receive strategic plans and other documents much earlier to be able to take adequate time to review them: “What you are doing is very critical. To do it in a hurry is not good.”

Sometimes the Bank moves too fast in project approval. Even when consultation occurs, the Bank often seems to move unnecessarily quickly in approving projects and “there is no time to question.” This stultifies the participatory process. Such speed should be reserved only for truly emergency situations. NGOs need time to dissect documents to provide detailed input.

For example, as soon as the policy discussion has concluded between government and

World Bank, then you bring the paper and in one week you circulate it to members of civil society: "Have a look at it." It is a big document. Then the Bank can say, "We have consulted you." That is not fair consultation, because we are not given adequate time.

Just as government has time to look at the nitty-gritty of each of these documents, we equally need that time. We are an organized group and we need to look at the pros and cons of the decisions being taken. How implementable is it?

NGOs want Bank feedback on the input they provide. NGOs "insisted on feedback" after making their input "to let us know whether our views were well presented. That's a very important part of the process." The consultative process helps government and all service providers. Responsibility and accountability are shared more effectively.

The Bank does not respond quickly to negative feedback. Because of the nature of the Bank's organization, it takes time (sometimes months) to respond to critical observations offered by NGOs. There should be a mechanism to allow quick response to concerns raised by civil society. Bank staff should not be afraid to acknowledge when "things are going wrong, because they have to be loyal and defend their institution." Rather, the Bank should adopt the attitude that it will not accept problematic situations and will change quickly when problems arise.

Capacity building among NGOs lacks focus: the Bank could play a role. The Bank could play an important role in building NGO capacity. Some NGOs have undertaken capacity building on their own, but these respondents said "there has been no concerted effort from any particular major party." This could be a role for the World Bank Institute. Moreover, NGOs need training, not just in financial management but in many other technical areas as well.

I wrote to NGOs asking them to give me their feedback regarding their training requirements. Unfortunately, the Bank has been get-

ting this information and wants to subcontract some other training institutions to do it. It is not very clear that the Bank wants to strengthen the capacity of NGOs. Using a government system to do that puts a question mark.

Capacity building for NGOs should not be limited to financial management. It should be in all the areas that NGOs are heavily involved in—post-analysis, technical capacity, monitoring, evaluation, financial management.

The Bank should build NGO capacity for data analysis. The Bank could strengthen NGO capacity to monitor projects with facts and figures. At present NGOs, and particularly local NGOs, have limited analytical capacity to monitor the impact of GOU policies.

It is the responsibility of the World Bank to strengthen civil society so we have capacity to monitor, to produce information and statistics that can answer some of the Bank's questions.

NGOs and GOU staff should be similarly trained. Capacity building of NGOs and government should be uniform; staff from both entities should be in the same training in the same place from the same trainer and with the same information. This would help reduce confusion when it comes to project implementation on the ground.

Constraints in Working with the Bank

Key Question

- What have been the constraints in working with the Bank?

The Bank has a "one-size-fits-all" approach. The Bank tends to deal with different countries as if they are uniform. The Bank needs to recognize that Uganda is unique. For example, structural adjustment credits (SAC), which the government has been implementing since 1987, seem like uniform packages applied to every country regardless of its historical background or its local environment. The approach is "impersonal and very

rigid,” which means that implementation will be less viable and interventions less effective.

The liberalization aspect of the SACs—the way it has affected the microentrepreneurs, particularly women. Many of them have gone out of business because all these imports have come in without any [tariffs]. Local products cannot compete with products from the world market.

The local producer of sunflower [oil] is another example. In some areas where [sunflowers] will grow, many local entrepreneurs, women, felt they needed to get small seed processing plants. Some of them were able to get these quickly, in order to produce oil to sell first in the small local market and then outside. Because of liberalization, [all imported edible oil came in] much cheaper than for what the local producer would be able to sell her product from the small oil seed plant. Many of these local businesses came to a halt. A religious NGO got some support for a nice, small oil producing plant that worked for one year and couldn't continue because of [imports from other countries].

Such policies hit Uganda hard because “such a huge percentage of the population consists of small producers,” especially in agriculture. Liberalization kills local initiative, which in turn thwarts alleviation of poverty.

Monitoring of Bank policy is weak. Once the Bank has decided on a particular policy, it is “never questioned or reviewed.” While liberalization, for example, has positive aspects, insufficient monitoring occurred at the micro level to alert the GOU and NGOs of negative impacts that could be corrected. Formulation of policy should involve civil society to determine whether there might be negative impacts; then corrective measures could be put in place.

There's no monitoring system to see this impact and whether the policy can be modified to be more appropriate for the Ugandan situation.

I strongly recommend future involvement of the public in monitoring impacts of the World Bank policy, so that if something is going wrong, it is questioned and reviewed.

The Bank is too bureaucratic and slow to change. The Bank needs to become more sensitive to small changes, because the world is moving very fast but the Bank has remained very bureaucratic: “It's like an elephant.” Insufficient mechanisms exist for quick response, even for “obvious things that are going wrong and everybody is seeing it.” Because of the cumbersome Bank bureaucracy—especially the need for information to flow to Washington and back—the feedback loop that could improve implementation and help avoid failures is substantially weakened.

The Bank should become more of a “learning organization.” The Bank should pay more than lip service to its goal of being a “learning organization.” That means having a more open attitude, accepting criticism, listening better, and showing more sensitivity to the unique characteristics of each country.

When we say this is wrong, you should have an ear to listen and adjust.

Bank programs have low impact on beneficiaries. The bulk of Bank funds (80 percent) is spent on overhead (office facilities, air conditioners, cars); the intended beneficiaries of Bank projects receive only 20 percent of project funds. The Bank should take a policy stance that such a proportion is not acceptable.

You appraise projects for which you know the design is 20 percent [to beneficiaries]—that some of the feedback we get from our donors. Can you look at the balance?

The Bank needs to improve appraisal at the micro level to ensure project viability. Some Bank projects have implementation problems because of poor appraisal at the micro level and the lack of NGO involvement at the planning stage. To determine whether a project will be

implemented properly, whether it will work at the local level, the Bank needs more input from the local population, and this is where NGOs can be useful. Securing timely, detailed, and meaningful NGO input is in the Bank's interest when it comes to recovery of funds.

If it's left for all debts to become bad debts, because the Bank's appraisal was not professional enough, the Bank needs to improve by involving the local population more. If you're not sure whether a project will be implemented properly, that means that you haven't really looked into all the chances of the loan being successful and therefore being repaid properly. The Bank needs to improve on its professionalism, especially at the micro level.

Large, expensive projects are especially vulnerable, and lack of consultation and government commitment results in implementation problems. Projects that involve large sums of money tend not to be successfully implemented. Larger projects require complex phases and steps. When the Bank has involved only the Ministry of Finance, Planning, and Economic Development (MFPED) (and not NGOs) in identification and design, often the "true problems" come to light during implementation. By the time design and implementation problems come to light, "most of these big projects have been leaving out the people or organizations" that could have complemented government efforts and ensured success. The World Link school project has been most successful—perhaps because it was a very simple project with small amounts of funding.

Lack of commitment on the part of the government sometimes makes larger projects falter. When the government's counterpart funding fails to materialize (or is too little or late), people may blame NGOs or the Bank for project failure.

For a Bank program called the Program for Alleviation of Poverty and Social Costs of Adjustment (PAPSCA), government was expected to put in counterpart funding. This was a \$133 million project. Government was able to put in only \$30 million, so it ran the risk of actually losing the millions. If the government

fails in terms of putting in what is due, then let that be known, rather than saying you're going to blame World Vision, you're going to blame these others for a thing they did not cause. Or blame the Bank.

Bank projects need independent monitoring, especially when corruption occurs. Corruption becomes a significant issue in projects that involve large amounts of money. Especially when it comes to committing Uganda to debt, NGOs argue that the GOU cannot be both the implementer and the evaluator.

If government supports [a] plan, it develops the program, it implements, it evaluates, it monitors. This is unfair. You need some other person who does not have complete, direct interest to say that money was meant to reach here, but it has not—where has it stopped?

Bank disbursement procedures contribute to project failure. Complex and tedious procedures have slowed disbursement and contributed to slow implementation or failure of Bank projects. "Rigorous democratic systems in terms of the release of money" may seem prudent, but when NGOs (which are "very flexible") are forced to wait six months for a small grant (\$10,000–\$15,000), implementation cannot begin or grinds to a halt midstream. Red tape must be addressed, especially if the Bank wants to foster a participatory approach involving NGOs.

We are still sending the requests back to Washington. Someone sits there, looking at each and every one of those \$10,000 before finally dispersing it! You have asked for this money, they agree, they say this money will be given at some specific time, and then you have to wait six months.

Money from World Bank was disbursed for the NGO Forum's launch on January 29, 1997, and the money didn't come through until June or July. The launch was done with money from World Vision, then they had to wait for that money, which eventually was paid in a different account in May 1998.

The Bank's bidding process slows down implementation. The Bank has a policy of bidding, but bidding for projects “must be more realistic, because we bid by paperwork but not by the actual groundwork and how much you can do.” If an organization can write a good proposal, it will be funded regardless of whether or not it has true capacity. Involving civil organizations to implement projects is a fine idea, but the bidding method needs reviewing. This relates to the previous point about the perceived lack of an independent NGO desk at the Bank mission that would know NGOs and what they do best. Some NGOs have the practical capacity on the ground but cannot write a good proposal, and the reverse may also be true.

It's a question of capacity. The bidding method must be very open and reviewed. It is a very good method, but it should be backed with information on the parties so that we do not end up with scandals [UCB Sberaton issues].

Better mechanisms for funding NGOs need to be worked out. Where experienced and credible NGOs exist, mechanisms for funding them need to be more flexible than the Bank's standard procedures, which are tailored to large contractors. (Participants proposed that NGOs receive Bank funding directly for project implementation.)

Positive Aspects of Working with the Bank

Key Question

- What is positive about the Bank's attempts to involve more stakeholders, including NGOs?

The Bank is recognizing the value of NGOs. The Bank has recently (and slowly) become more cognizant of the positive roles that NGOs can play in development. For example, in education and support of social services, there has been a response to “the outcry for involving more civil society.” The problem remains of how to involve NGOs effectively, but the Bank appears to be more conscious of the need for consultation.

I think the Bank of late has become a bit more sensitive that there is a place for the

NGO. There are developments which are pointing in that direction. They are beginning to respond. But the speed of response is slow.

The Bank has worked with NGO umbrella groups. The Uganda National NGO Forum exists to represent common NGO interests in policy and advocacy and to ensure that NGO views are being incorporated into various projects. The Bank has continued to involve the Forum as an important group that can speak on behalf of NGOs.

For example, the Forum was invited when the CAS document was prepared. Member groups were given copies and were invited to give comments within one week. Although the timing was too tight, the opportunity for consultation was appreciated. Other umbrella groups have been consulted as well.

We were invited as the National NGO Forum, but we asked to invite 10 other members of the Forum. Uganda Women's Network, an umbrella organization for women, was also invited.

The Structural Adjustment Participatory Review Initiative (SAPRI) involved NGOs effectively. The Bank has taken a leading role in participating with civil society organizations in reviewing the impact of structural adjustment programs. This group felt that the Bank should continue in this positive direction because these organizations are “in touch with the people on the ground.” SAPRI worked because the three partners all participated in the process: the GOU, the Bank, and civil society. Civil society was given the lead, government provided the policy perspective, and the Bank provided the support and the necessary discussions to support the policy. Research was the responsibility of civil society and independent researchers.

The data helped the Bank to understand the impact of SACs and helped NGOs to better understand the direction in which they should move. NGOs want as much hard data on impact as they can obtain because it helps them participate more meaningfully in the design and formulation of future projects. Because NGOs

constitute a small proportion of the population, good research and evaluation help them stay more in tune with the people's needs.

They are commissioning an independent researcher to do a survey in some districts to assess the situation—that is good.

The thinking could take three or four months to discuss, but some activities, like visiting the districts to find out whether they have heard anything about structural adjustments and find out what it means, take much longer. People say, "Oh yes, liberalizing the market—that's what it means. That has affected us in these ways..."

We always assume that the [common] man who has not even seen what a blackboard looks like does not understand what is going on around him in terms of economics. That's a mistake!

How did this SAC help you [the common man]? [The response was in terms of coffee and cotton prices.] The feedback has helped the Bank find out much more about the effects of structural adjustment on the common man.

The Bank and the GOU are learning from NGOs. NGOs are pleased that both the GOU and the Bank have adopted an NGO tool—the participatory review.

The issue of participatory rural appraisal is an NGO concept and makes us feel that the process of participatory review is a very useful tool. That is a success on the part of the NGO, and government is now also beginning to take that model. To us, this is success.

Appropriate Role for NGOs

Key Questions

- To what activities could NGOs contribute the most—analysis of issues, policy formation, project design, project implementation, or monitoring and evaluation (M&E) of programs?

- In which sectors?

NGOs can be involved in research to assess the impacts and risks of potential policies. NGOs can help the Bank assess the possible impact of policies and thereby mitigate their potentially adverse effects.

The Land Act is another example. All the international, multilateral financial institutions were saying that to have any policy succeed in this country, something must be done about the land tenure system in Uganda. Government went on a marathon legislative session in Parliament to enact a law. Before that, NGOs were feeling that some of the provisions would not succeed, especially if you were going to implement the Land Act at the expense of women. The GOU went ahead because the local constitution says that by a certain period of time there must be a law. It was enacted, but it has not been implemented up to now. Why? Because the very things NGOs had pointed out were actually neglected and are causing this delay in implementing the Land Act. It may seem that NGOs are trying to sing their own tune, but the truth is there are things they would be able to say on the ground because [donors] do not do enough local research. The Uganda Alliance said, "Here are the studies on how this Land Act is going to affect women." The peasant, not the woman, is going to be affected, if they implement this way.

NGOs tend to be involved only at implementation, but they have a wider array of skills. The Bank tends to involve NGOs and civil society only at implementation: "When all the decisions have been made by different government sectors—then you are called in to participate." The public (or NGOs) is not involved enough in planning, designing, and appraising projects.

NGOs are admirably suited to policy dialogue and policy advocacy and play an important role in situations where consultation with civil society is critical. Some NGOs are capable of project implementation (for example, Action Aid, World Vision). Most can offer valuable assistance in M&E.

If you are saying you would like to involve NGOs, then we are willing—but don't involve us at implementation when you have made your mistakes.

We are going to be involved in a nutrition project. That program came out of a civil [society] organization and will be a national project. But when we looked at its implementation, it is very difficult when we go to reality on the ground, because it has already been designed. It is hard to make changes. There is a lack of detailed consultation with the civil sector on projects.

We have participated in implementation in all these World Bank programs—for example, the Nutrition and Early Childhood Development project. The planning and initial studies were completed, then we were called in to participate—but when we looked at the method of implementing it, we found a lot of weaknesses in design and selection. A lot of things were left out, which we discovered when it came to service delivery.

Specific nonprofit NGOs have as much experience in implementing projects as the for-profit private sector. The GOU sometimes tends not to consider NGOs as part of the “private” sector just because they are “nonprofit.” However, NGOs should be considered part of the private sector when the Bank and the GOU are looking for private sector entities to implement projects.

One NGO has done a great deal alone in the health and education sector. They have rehabilitated and built quite a number of dispensaries. Another built a number of primary schools. When World Bank gives money to government in order to build schools and dispensaries in rural districts, it selects government as its counterpart. They look at engineers but forget about NGOs, who now have a practical advantage because they have done the job on the ground and they are nonprofit. [The noninvolvement of NGOs also contributes to corruption.]

Short missions (even if large) cannot capture the essence of Bank projects: NGOs should be involved in premission research. NGOs noted that the Bank sends out periodic missions for sector analysis, project appraisal, and supervision, because the Bank's resident mission is not staffed with specialists in every sector. Because such short missions do not typically consult NGOs, they fail to capture the essence of projects. They are not scientifically valid, useful, or cost effective. How could an organization based in Washington that serves 143 countries organize itself to be closer to the ground? These respondents suggested that the Bank should ask NGOs to conduct research and assessments at the local level well before a mission arrives. Such research could produce more reliable and meaningful information than can be gathered during a quick mission by outsiders working “on the fly.” Fewer staff would need to come from Washington, and the Bank would gather much better information and enhance local participation.

They come in and talk to the government very intensively and then they leave.

Yes, you send missions for your purpose. You want to know how your project is starting, progressing, and evaluated. Fine. We have no problem about that—but you do that at the expense of the country. Ministry of Finance is not all. There is no system, even from the inception [for involving NGOs in a systematic way]. How can the NGO, which is always in touch with the people, inform you if this project is not progressing well?

The mission comes. The Ministry of Finance arranges where they go and what they see. They arrive in [town] and meet with local government for their whole program of three days. There is no consultation with NGOs except in a general meeting. You meet with the Ministry of Local Governments, the Decentralization Secretary, someone in the Danish Embassy, Norwegian. After that you wrap up, you call NGO, and you are off. Where do you get the feel of the beneficiary?

[If NGOs were involved in research, Bank staff would] come to listen to what people have been able to research on the ground regarding that project. The Bank mission would then go back with a result that is enriched with research, rather than pretend to come to do research in two weeks, which they may not be able to do.

NGOs should be involved in all phases of the project cycle. The involvement of civil society and NGOs in issues of policy, implementation, and M&E is both appropriate and fundamental, because the essence of participation is that it should begin at project initiation and continue through evaluation. These respondents would like to see such involvement become more concrete and extensive.

Maybe you need to involve NGOs in the whole project cycle.

We want to be involved even in the inception period so that we understand what a project will be, because the NGO sector and civil society will have to implement it.

NGOs must be in the planning process. The NGOs have the [advantage of being] at the grassroots level. For example, when we evaluate civic education, we know who did what and the weaknesses of the whole process. Consultation from the planning process identifies the roles and the strengths of who is implementing.

District-level NGOs should be more involved in M&E. NGOs could play a greater role in M&E to make the process cleaner and more equitable. Since decentralization, the NGO Forum (a national umbrella group) has been encouraging NGOs at the local and district levels to form district-level NGO forums, because such local forums would be in a better position to observe how monies for government projects are used in their district. District-level NGO forums would provide a natural structure for disseminating the CAS and getting feedback on particular projects in each district.

Umbrella groups based in Kampala have small secretariats that cannot work as effectively at the district level as local NGOs can.

But local governments can block monitoring by not being transparent. A lack of transparency can hamper such local monitoring processes. The local councils' unwillingness to discuss the details of Bank projects with NGOs makes it easy for local and district governments to misuse funds and harder for NGOs to play a valuable monitoring role.

The GOU receives funds from World Bank; it goes through the local council systems, but they do not want to tell the NGOs what money has come for what purpose and how it is going to be used, although World Bank says you must get involved with NGOs.

Most funding comes either in loans to the people of Uganda or in a grant for the people of Uganda. World Bank should try as much as possible to be open about its business with government, if it's really good business. It should be publicized as much as possible, because it commits us as the people of Uganda.

For example, this dam thing in the west. People have come to it when it's too late. They didn't know that a huge amount of money was available to government to dig those dams. By the time it's known it's too late. The project was not secret, but it was as if it were the government's right—and now it's a commitment for all the people to pay that debt.

NGO participation should be a condition of lending. NGOs argued that they represent civil society: "We are Ugandans and it's a government of the people." While the Bank must deal with the GOU in lending money, that money belongs to Ugandans. Since NGOs are part of Ugandan civil society, participants proposed that all lending agreements should require NGO involvement.

When you give this money to government, say, "Before we give you this loan, can we

know that [NGOs] A, B, C, and D are going to participate?"

Involvement in Bank Projects

Assessment of Northern Uganda Reconstruction Projects

Key Questions

One shortcoming of the Northern Uganda Reconstruction Project (NURP) was the limited involvement of NGOs and local communities.

- What is your assessment of that experience?
- What worked well and what did not?
- Are lessons learned from NURP being taken into consideration in the preparation of NURP2?

Respondents agreed that limited NGO and community involvement was a “major factor” affecting NURP’s outcome. Another important factor was the lack of security problems in the project area.

Consultation remains at the surface. This group had doubts about whether the lessons from NURP were informing NURP2: “Everything we have discussed this morning can be illustrated by NURP.”

In mid-1998, NGOs were invited to a meeting to discuss NURP2 with Bank staff and GOU officials, including the minister who had been in charge of NURP. The former minister (now with the Bank in Washington) came to Uganda to discuss NURP2 with various stakeholders. After that meeting, no further information or feedback was given to participants. This raised the question whether NGO involvement in NURP2 would be “realistic or cosmetic.”

One respondent read from a letter indicating that “Officials from the Prime Minister’s Office” had gone on a fact-finding mission to a particular district. The team held several meetings with district authorities, including the chief administrative officer and resident district commission (RDC), and visited two communities to assess the design of NURP2. The letter suggested that the consultation had been limited to administrative and political leaders and had not delved deeper.

How do you visit a district? You talk to the chief administration officer. You talk to the

RDC. You run away and say you have done a fact finding on NURP2.

A number of NGOs are doing something about infrastructural development. In fact, some projects [under NURP] are surviving because of the rural NGOs.

Assessment of the Nutrition and Early Childhood Development Project

Key Questions

Attempts to involve NGOs in preparing the Nutrition and Early Childhood Development Project (NECDP) were described as a “fiasco” by some NGOs.

- What is your assessment?
- What lessons can be learned?

NGOs are minimally involved in NECDP. “We are involved in implementation but not in designing NECDP,” this group reported, although the idea for a nutrition project came from the NGO sector.

We designed it from a project called Women and Nutrition. We sent a paper to World Bank. They came up with a new [version] and called it Nutrition and Early Childhood. The real influence of that project came from civil society. Needs assessment identified that if we improve the nutrition we must involve women, not just . . . children. The food content in families must be improved by educating women and by giving them the necessities.

Relationship with Government

NGO Contributions to the Poverty Eradication Action Plan (PEAP) and Uganda Participatory Poverty Assessment Program (UPPAP)

Key Question

- More recently, how have NGOs contributed to PEAP and UPPAP?

NGOs have a significant role in gathering data. All NGOs are taking part in UPPAP, although much of its design was accomplished solely by the GOU. Information being generated at the local

level will be very useful because the process involves many stakeholders—government, civil society, people in the district, poor people, and donors (the United Kingdom’s Department for International Development, UNDP, World Bank). Stakeholder involvement will render the information more credible; many people will use it as a point of reference.

It is encouraging that they are now working very fast to ensure complete collection of information from some of the poorest districts, and they are going to use that as an input in the project. Action Aid and others are participating in the research, together with the community and all the stakeholders.

NGOs wanted to make sure that the UPPAP information served as an input into the 1999 government budget. District preferences and concerns were expected to have an impact on the national budget. The process involved five intensive weeks of working in each district, talking to a broad spectrum of citizenry and leaders. The project, which was led by Oxfam, was expected to succeed because it followed the principles highlighted by NGOs in the focus group. Very little was spent on overhead, more was spent on the ground, trained researchers took part, and participatory methods were used to get information.

This is a success story. Our argument now is we would like this PEAP translated into the local language, so even the local person understands what PEAP is all about. So far it has been translated into six languages in this country. A “popular copy” is being worked on, because it is thick and they don’t expect the local person to have time for it. The popular copy will bring the key issues, is easy to read, and someone can be a part of it. We said we wanted a popular version.

The Bank could help update information and statistics. UPPAP is working with old demographic and population statistics. The research is based either on the 1991 population survey or the

1993 household survey. Some information is not available in disaggregated form. One important development in UPPAP is the creation of more current information and data that are credible and acceptable to a broad cross-section of people.

That is another very important role that World Bank could play—support the data and information function within the country. Most of the projects are based on outdated data or on guessed information.

NGO Role in Debt Forgiveness and the Poverty Action Fund

Key Questions

- How would you describe the role of NGOs in creating an environment of debt forgiveness for Uganda?
- What has been the NGOs’ role in monitoring the operation of the Poverty Action Fund (PAF)?

A debt network exists. The Uganda Debt Network is active in debt forgiveness and debt monitoring activities. Especially with decentralization, NGO respondents said that they would like the “NGO community to be the monitors of whether this money and its benefits actually hit the ground.”

NGOs are reviewing PAF. A national meeting was held on PAF just before the Bank Consultative Group meeting; another meeting was scheduled for March 1999. Various ministries have been involved in the PAF (Health, Education, and Natural Resources), which means that many NGOs need to review the situation. NGO respondents felt that both relevant ministries and donors had been unresponsive to their requests for information.

Unfortunately, during the last meeting, responses were short from these ministries and from the donor community. Then they asked us [as NGOs] to comment without receiving the documentation! This was very unfair. Everybody has advance notice with all the information, so they can comment on that PAF. NGOs were never given information, but we were asked to comment. That goes to the root

of the matter. If you want to involve us, be transparent and give to us what you give to your counterpart government so that we are in a position to comment.

NGOs have recruited professionals—some from civil service—and if you give them these documents they could probably provide a better view than some of those provided by government. I can say this with confidence.

Impact of Decentralization on NGO work

Key Questions

- How has decentralization affected the nature of your work?
- How effective is your relationship with district governments?
- Is accountability to district authorities a problem?
- Are there constraints on the NGO side in working with district governments?

Accountability and capacity are poor. Decentralization raises “serious problems” of accountability and capacity in district-level governments. The Bank and others could offer a training program that would bring district-level NGOs and dis-

trict governments together to meet each other, learn to work together, and obtain relevant training in tandem.

Training to address specific district needs should include NGOs. The District Development Programme (DDP), under the Ministry of Local Government, is trying, with UNDP support, to assess the possible effects of decentralizing the development budget by developing models of accountability and transparency. Five pilot districts are involved in this capacity building project. Much to their disappointment, NGOs have not been included in DDP: “They are not taking the NGOs in those districts into account.”

Capacity building in the districts should be more broadly conceived (that is, not limited to governments) and should be tailored to the districts’ needs (that is, not limited to financial training such as accounting). Planning, analysis of problems, needs assessment, and other types of technical assistance should be included, depending on specific district needs and current capacities. If an appraisal were first carried out to establish need, training would have more impact: for example, some districts have the expertise and experience to enact bylaws while others need training in legislative processes.



PRIVATE SECTOR

Liberalization of the [markets] was a key factor and a very brave move in Africa. Uganda was the first country to liberalize.

Sixteen participants from 15 different firms and associations attended the focus group. The participants represented the following firms: Ban Café Ltd.; Federation of Ugandan Consultants; Nile Bank; Omni Fashions; Pan World Insurance Company; Stanbic Bank (Uganda) Ltd.; Uganda Clearing and Forwarding Agents Association; Uganda Coffee Trade Federation; Uganda Floricultural Association; Uganda Importers, Exporters, and Traders Association; Uganda Manufacturers Association and Simba Blankets Ltd.; Uganda National Chamber of Commerce; Uganda National Farmers Association; and Uganda Small Scale Industries Association.

Key Lessons

- To enhance chances of success, the Bank should adapt reform programs to fit the Ugandan context, not apply one-size-fits-all solutions.
- The Bank should consult associations of stakeholders to ensure that programs are tailored to the Ugandan environment by inviting private sector associations to gauge the risks and benefits of proposed policies and to monitor program needs and performance; relying on the Private Sector Foundation and other business associations to serve as focal points for consultations among the Government of Uganda (GOU), the private sector, and the Bank; and using local consultants who know the country.
- Maintaining a stable, credible, and consistent policy environment is critical but not sufficient for private sector development. Private investors need an enabling environment of tax, investment, and corporate governance regulations as well as ready availability of infrastructure and financial services. Private sector taxpayers want quid pro quo for their taxes.
- Private sector growth and poverty reduction are predicated on agricultural growth. The Bank should focus on providing infrastructure, agricultural extension services, modern technology, and financial facilities that will ensure economic opportunities for rural communities.
- Given Uganda's landlocked status, East African regional initiatives involving railways, roads, port facilities, and coordinated policies with Uganda's neighbors are critical for cutting the cost of Uganda's access to the rest of the world.
- Focus on building institutions, particularly private sector institutions, to help implement policies; good policies alone will not deliver results.

- “Get involved” in reducing corruption. Promote corporate governance.
- Build Ugandan capacity and skills; develop service industries that can serve the global community.
- Follow up on implementation progress through monitoring and evaluation (M&E) and adopt midcourse corrections if the Bank’s standard policy framework does not yield results in the Ugandan context.

Liberalization of Foreign Exchange, Trade, and Marketing Regimes

Liberalization as a Priority

Key Questions

Liberalization of the foreign exchange and trade regimes and removal of price controls and agricultural marketing monopolies (coffee and cotton in particular) were among the earliest GOU reforms that the Bank supported to promote a competitive private sector.

- What is your assessment of these priorities?
- What are their strengths? Weaknesses?

Liberalization of foreign exchange was key. Liberalization of foreign exchange markets—a reform supported by the Bank—was a very brave move to promote the private sector. Uganda was the first country in the region to liberalize. The country’s stability and the confidence people have in democracy have played an important role in making foreign exchange liberalization work. Despite the concern about capital flight, the measure worked and the Ugandan experiment has been vindicated.

It is encouraging for investors to know that they can get their income and capital out of the country if they so choose.

I’m not sure if the concern was capital flight? There was not that much capital to fly. Whatever capital people wanted out of the country had been [removed], by whatever means.

Uganda may have been liberalized too extensively. Uganda’s trade and foreign exchange

might have been overliberalized, to the point that questionable foreign exchange transactions are occurring in the banking industry. The volume of cash transactions involving U.S. dollars is relatively high for a country where the dollar is not the currency of daily trade.

In comparison to a number of other countries, including the United States, the level of foreign currency cash transactions is a little out of line. The dirty word is “money laundering”

The Bank’s approach to liberalization was ideological. Trade liberalization works best if it is gradual and people have time to adapt to it. The Bank’s “one-track-minded” approach has often seemed more ideological than pragmatic. The Bank and the GOU placed great importance on liberalization in policy documents (“We must liberalize, we must go down to zero tariffs”) but forgot to provide the complementary infrastructure needed for competitiveness.

Although Uganda has the most liberalized trade regime in the region, many think the country is not moving faster because we haven’t gone far enough in trade liberalization. They forget about the other things like infrastructure and the financial system, without which you can’t really compete.

As a coffee fraternity, the coffee traders’ federation wanted to make sure that we would retain the minimum price and stay tight, because we are protecting the coffee industry as it grows. We wrote by-laws and we met. Uganda government had asked for money for the cotton sector, and World Bank had made a condition: “If you want money for cotton, you must remove the minimum price.” The private sector knew what the government [would do].

Institutional needs

The need for agricultural reform is very great. This group stressed the need for agricultural reform. That means attention to the way the agricultural system is organized. The reforms affected markets, the assumption being that if a market

is efficient, it will ensure upstream efficiency. Even in the most efficient market, however, some roadblocks emerge that must be addressed.

Coffee liberalization was good but Uganda lacks the institutional framework for producing coffee efficiently. The liberalization of coffee marketing was an excellent idea, but the government “missed the point” by downplaying the role of coffee in Ugandan development. The issue is not marketing but productivity. The country, these private sector respondents said, lacks an institutional framework for the production of coffee. The World Bank, Bank of Uganda, and the GOU relied on market forces to increase the production of coffee, but (unlike in other coffee-producing countries) Ugandan production takes place in very small agricultural holdings with very low productivity, and the small producers need help to improve production methods. (Half a million small producers produce coffee in Uganda and about 2 million people rely on coffee and coffee-related activities.) The extension service that had formerly supported coffee production was decimated during the war, and the GOU made no attempt to replace it.

The new Unified Extension Service introduced by the Bank has not succeeded in filling the “huge gap” in coffee production and productivity between Uganda and other countries producing Arabica. Thus, the country’s standing in the world coffee market has slipped in terms of annual production (from ninth to tenth place): “China and Vietnam produce more coffee.” Liberalization has created problems in this part of the economy because it killed the institutional framework that supported coffee production. The country needs a new institutional framework.

In Colombia, because of good agricultural extension service and the system of production, coffee production is high, about three tons per hectare. In Uganda, you do not even get 300 kilos.

Arabica production is disappearing in Uganda, because the [extension] system that supported production of Arabica coffee [closed up shop].

Commercialization of small coffee holdings is key to future agricultural development. The coffee industry is fragmented into many small holdings. Lack of attention to the farmer is a fundamental problem because “the future of the coffee industry in Uganda will depend on the farmer (whether he is a smallholder or bigger) going into coffee production with a commercial motive.” Subsistence farming will no longer sustain the coffee industry in Uganda. Ugandan coffee needs a strategy for production. The same holds true for cotton.

Programs need stakeholder participation to establish success indicators and careful monitoring. Future adjustment programs, including liberalization and privatization, need to secure the participation of the private sector and key stakeholders to (a) assess why government still needs to intervene in the market, (b) evaluate the risks and benefits of liberalization, (c) gauge the state of preparedness to monitor progress, and (d) agree on adequate indicators of success: “That should be predebated, predetermined, and preagreed upon with the private sector and key stakeholders.” Otherwise, it is hard to know whether a policy has succeeded. Some participants pointed out that stakeholders were consulted on the coffee and cotton reforms.

What systems do we have in place? Do we have strategic forecasts [regarding the impact of] these reforms? They were introduced too fast without consulting the stakeholder.

I was involved in some group studies for World Bank in 1989. We did many consultations then [in cotton]. For coffee, we had many consultations from 1990 onwards.

Requirements for Private Sector Growth

The groundwork was not laid for private sector growth—no government support was forthcoming. These private sector respondents argued that Uganda has been “slotted into privatization”—no funding has come from financial institutions or government. Agriculture is the largest industry in the country, but because

of a lack of “production encouragement,” agricultural productivity lags. Arabica coffee farmers need production credit (farmers cannot meet the high interest rates demanded by commercial banks) as well as a whole system of support, including infrastructure, marketing support, and quality assurance.

Every country subsidizes its agriculture ... milk and crops. Farmers receive cheaper rates. In Uganda, we have good soil and good will, but farmers are left in the lake to swim without being taught how to swim. We have not laid the groundwork for liberalization.

I visited the 70-year-old coffee federation in Colombia. They have a program to finance production and they have a coffee bank. Our own wonderful coffee-growing areas need such support. World Bank consultants have seen these programs work.

In India, they have started village export companies. We need more input. You lend us money on good terms, we produce and we pay you back.

The financial services sector needs restructuring. It seemed clear to respondents that the financial services sector is inappropriately structured to keep pace with the kind of development they want to see in various sectors. They mentioned that criticism has recently been leveled at financial institutions regarding availability of funding and high rates of interest.

Commercial banks have been asked to take on a role that they would not take on anywhere else in the world, particularly in development finance. Conversely, many development institutions are taking on commercial banking, which is not their core business. With this conflict, Uganda ends up with a sector that is not delivering the goods.

Those kinds of interest rates [20 percent for investment loans] are not really affordable. That is why most of us can't afford it and the development of the country is staying behind.

The GOU should take risks to develop the private sector. There must be specific programs to foster investment, and government must be willing to take a risk in supporting them. One person thought that the “biggest problem lies with the government, which does not want to take a risk.” Risk-taking is necessary, however, in the development of industry; the British example seemed relevant to what could happen in Uganda.

Margaret Thatcher's government wanted to support small to medium companies [in Britain]. Several issues were crucial to that program: enterprising government, identifying people who would perform, and preparing them for commercial banks. They worked through entrepreneurial commercial banks with government guarantees up to a certain amount. I asked a Department of Trade official [in Britain]: “Why do you put 10,000 pounds [into an individual investor] in Britain?” He said, “If two or three succeed, we will recover this money as a country.”

People say that government needs to make a decision to start infrastructure. There are good intentions, but government is a bit naive. Government expects commercial banks to go to Bank of Uganda, pick this money, and take the risk. So the message is, government must take the risk.

The GOU should improve the regulatory environment. The regulatory environment is not good, private sector respondents said. The amount of fraud in the Ugandan economy is “amazing” and inhibits investment. Consequently, the volume of credit is very small and Uganda remains largely a cash economy. The GOU must improve the regulatory environment in areas such as credit and contracts; otherwise both the GOU and private investors will lose money (or will not lend in the first place).

Let us have a Criminal Investigation Department that works, courts that work, all the normal things. Hardly anyone gives credit to customers today. Every time you make the

mistake of giving credit, you lose the money. How can you run an economy in which everything is on a cash basis? The regulatory environment must be strong enough so that if someone takes credit, the creditor is protected. Now, everyone is stuck because she owes me money, I owe him money, he owes him money, and no one can move.

The Bank's Monolithic Approach

The Bank's ready-made approaches do not fit Uganda. The Bank tends to bring ready-made approaches to Uganda, assuming they will fit: "Success stories from India or Kenya do not work here because our production is so unique." The issue is, how should the Bank approach a country that has its own vision and mission? Should the Bank acquaint itself with that vision first, or should it come in with predeveloped programs? Moreover, systems proposed by the Bank change frequently and often reflect plans that worked in other countries but cannot be implemented at the micro level in Uganda.

The GOU must evolve a Ugandan position. This group raised several questions that relate to Uganda's ownership and position. Although the Bank's approach may be changing, Bank officials tend to go into meetings "with a position." The private sector would feel more confident if there was a clear Uganda position. They want the GOU to say, "This is how we want to go. World Bank, will you go with us or not?" Currently, it seems that the Bank does its part; the GOU does not. Many civil servants are not performing (in the absence of benchmarks), and as a result the Ugandan government has "no fixed position."

The general opinion is that the World Bank is running the government.

The Bank needs to hire more local consultants. In a similar vein, private sector respondents said that some Bank officials believe that they know Uganda but that they do not know the country as well as local consultants do: "We know Uganda; we know our capacities." Many GOU employees have very strong ties to individuals in

the Bank who influence decisions. More participation of Ugandans would be appropriate when the Bank hires consultants to take part in evaluation teams. The Bank seems to overlook local consultants, who have the relevant capacity, in favor of individuals "who have no allegiance to you or me." This tends to water down the country's focus.

Most of you recognize what is going on in the system. We are in one very difficult business—consultancy. If you look at how Bank consultancies are given out, you see that they go to one or two institutions in this country. Why? We have a problem. If you do not have that connection to the Bank, no matter how good your firm is, you do not get it.

Local consultants could help the Bank and the GOU to monitor implementation. Hiring Ugandan consultants would help build Ugandan capacity, end "professional apartheid," and serve to lessen haphazard, ineffective program implementation. Monitoring by the Ministry of Finance is inadequate, and the government is not getting the information it needs. Programs require critical evaluation based on sound research and insight. This would help avoid "false success stories" or false attribution of blame to the Bank for GOU failures, both of which only set the development process back.

We need to be participants in the evaluation. We are not corrupted. This would be a good start.

I struggle sometimes. When you go to Zimbabwe, they want you to tell them your [Ugandan] success. There is a lot of exaggeration of success stories here.

The World Bank and [other donors] serve as a scapegoat for government.

How can we create a relationship between the World Bank and the private sector? Call the [coal industry] and they will tell you what is on the ground. Call the people who work in banks. They will tell you exactly what is on

the ground, not what someone in the Ministry of Finance, seated on the fourth floor, imagines happening.

The Bank needs to be involved at the micro level. The Bank needs to switch from macro-level policies to focus on how operations are working on the ground. In agriculture, for example, Uganda's small producers, who are scattered all over the country, are deemed "bad leaders," but it is the system that has made it difficult for them to produce and sustain the economy. The Bank should help small producers use existing resources to solve problems at the local level, with plenty of stakeholder involvement (not just consultation). It also needs to be more involved with business associations, interest groups, and users of services. Continuity of program implementation is a similar issue: recipients of these programs need follow-through to completion. That means Bank involvement at the local production level.

I had a meeting with World Bank officials in connection with the agricultural extension service for the coffee farmers. This gentleman liked the idea and said, "But you know there is a problem. You are not my client. The Uganda government is my client. I do not have a way of dealing with you." That is why I am very pleased that World Bank has come to talk to the people who are affected. I want them to voice their opinions. The Bank has good intentions, but needs to be involved with operations at the micro level, with producer associations or interest groups. If you have not been doing it, you can do it now. You have come this far; go all the way and deal with people at the production level and at the micro level.

The Tax System

Tax Structure and Policy

Key Questions

Recent private sector surveys have signaled concern about current tax policy and administration, as well as future uncertainty.

- What is your assessment of the current tax structure?
- Could the value-added tax have been better introduced and administered?
- What needs to be fixed in the tax administration?

Tax policy formulation must involve stakeholders. Tax policy is formulated by nonstakeholders, by technocrats, who have a very narrow objective—covering budget expenditures—so their focus is on "what can we get out of the tax payer." This "kills" private business.

They have a budget and they try to raise it in any way they can, whether it is killing the [business] system or not.

Tax policy and tax rates are not consistent over time. The tax rates announced in the budget in June are changed during the fiscal year, especially excise duties. This introduces uncertainty into business decisions. There appears to be no coherent tax strategy.

I don't believe there has been a [tax] study. We need more consistency. . . . I have always advocated that there should be a basis for fixing tax rates . . . a credible basis for fixing rates

You know that, at price X, you will be able to sell this in Kampala. All of a sudden, an excise duty is introduced. A 10 percent tax means more than that, because it is cumulative. Excise duty is calculated on import duty, and then a cumulative amount of 17 percent is taxed on that. Now you are taxing on tax.

The Bank's early emphasis on raising revenue rates was excessive. The private sector needs to "build strength" to save and grow first, before the government raises taxes.

You'll find that those who show the ability to pay are increasingly being taxed, whereas they could plan so that over a period these people generate enough income so that they can tax them in the future. But they tax them a lot now and these guys go out of business.

I would say that the fact that we have been stuck at about a 12 percent tax gross domestic product ratio for such a long time indicates that somehow the strategy is not working.

All economies in Europe had a period when they were given time to build strength. If you begin taxing everything I am making now, I am not going to make money tomorrow. I would like that breather. We are taxing the lowest income. What will be left in the future? Or even today?

The tax structure is encouraging smuggling, fraud, and tax evasion. The high tax rates (for example, on petroleum) have created incentives to smuggle: “The penalties are not sufficient to actually discourage it.”

The tax base is too narrow. High tax rates and punitive tax administration are encouraging the emergence of a large informal sector: income and profits are going underground. Rather than coming forward to pay what are perceived as unreasonable taxes, people prefer to remain invisible to the Uganda Revenue Authority (URA).

Government needs to come up with incentives to encourage that informal sector to become formal, and in the process government will have a wider base to tax. They are not enticing the formal sector to improve and become more formal so that they can collect some revenue from them.

Taxpayers need to see the benefits resulting from their taxes. This is the credibility issue. Taxpayers would be encouraged to pay taxes if they saw benefits in the form of production support for agriculture: agricultural extension services, technology research and dissemination, and so forth.

If I have been struggling in coffee, I have not seen a government official coming to ask about my problems. The only time they see officials is when they say you are supposed to pay not three years but five years. From the

micropolitical view, there is antagonism with government, because government is not a production support.

Every Ugandan wants to develop this country, but the government must put in something to entice the producers to come forward. Most producers really want to pay tax, but they also say that there is so much that government should do.

Tax structure impact is hard to define because of lack of data. Assessing effectiveness or impacts of the current tax structure is very difficult because of a pervasive lack of statistical data: “There is no system whereby proper information can be collected in order to assess and analyze something.” That helps explain why the tax collection rests more heavily on the “very few people who can be seen.”

The government has to be more innovative with tax policy. Government needs to think “outside the box.” Creative and unconventional approaches, such as sharing income tax administration and income tax collections with district administrations, could raise more revenue from the rural areas.

We proposed an idea some time ago. The districts know who makes money, who sold cows, who sold coffee, who is building a big house. If income tax administration were shared with district administrations and they were allowed to keep 50 percent of the money they raise, URA could realize significant income from rural areas. Districts would not be free to make their own rates but, in terms of revenue sharing, some of that money would stay where it is collected and help fix the roads and schools. This is a different idea than saying that central government owns everything. Bring it all to Kampala and we will send you some money back. Why should I tax my next door neighbor just for all the money to go to the central government? If they knew that money was going to their area, they would be willing to administer it as part of their development.

Tax Administration

The URA needs to be better organized and managed. The tax officers are given high collection targets, so they pursue taxpayers until “there’s no money left.” Tax collection targets lead to “ruthless valuation of goods.” The amnesty policy is perverse because it encourages taxpayers not to pay. The tax tribunal “doesn’t work”—it exists only on paper, without budgets or judges, yet “as far as the World Bank is concerned, they have been put in place.”

Tax collection targets lead to ruthless valuation of goods, because URA has the right to uplift values. When they get to the 23rd of the month and find that they collected only 60 percent of what they are supposed to collect, something that was \$700 in April suddenly becomes \$2,000. They want to maximize the collection. It is the same product from the same supplier to the same importer. The person wants to keep his job by meeting targets. When he does not, they think the problem is not what should be taxed but the person collecting.

Some Specific Remedies

Specific reforms suggested by this group include:

- Eliminate collection targets for the URA tax officers: “They are given high targets, so if they find someone they do not let them go.” Targets also lead to overvaluation.
- Collect back taxes for the past two years only until collection systems improve. Gradually increase number of years relevant for back taxes as collections increase.
- Use more creative means for tax administration.
- Accept some taxpayer defaults as “bad debts”; do not waste URA time trying to collect them.
- Maintain policy consistency (for example, regarding tax rates and tax amnesty).
- Develop a well-researched, credible basis for fixing tax rates.

If government cannot tax your income in two years, fix a time, maybe three years; if URA can get the money for that period, they should let you go. Once URA [improves collection] and de-

velops a system, then they can make it three years or four years, and finally ten years (when they have the capacity), because by then most people will be regular taxpayers. You cannot spend all that time trying to collect bad debts.

Regulatory Framework

Improving the Investment Climate

Key Questions

The Bank supported the GOU’s steps to improve the investment climate and encourage potential investors.

- What were the most important steps in this area?
- How do you evaluate the Bank’s contribution to introducing the investment code and the Uganda Investment Authority (UIA)?

Credible and consistent policies promote investor confidence. The first important step toward improving Uganda’s investment climate was raising credibility—“people knowing that the inflation rates will stay low, knowing that the government deficit will not increase.”

Consistency, which the Bank has supported, also helps build credibility and confidence. One private sector respondent pointed out, however, that the Bank-supported GOU program does not provide any specific incentives for investors.

Government also should take risks by providing investment incentives. The assumption was that once macroeconomic stabilization was achieved, inflation was reduced, and markets were liberalized, somehow the private sector would grow. The GOU should reexamine this position: “The government needs to look at its role at the micro level.”

The GOU needs to provide incentives to investors to come into Uganda. When investors arrive in Uganda, they find disincentives of all kinds—for example, delays in having electricity installed on the premises. When they start operating, power is available for five hours, which does not correspond with eight-hour shifts. This discourages investment and reflects a lack of government commitment to the private sector.

If I were an investor, why would I put my money here? I need incentives. If I see a pro-

gram that I could develop I am willing to give it so many shillings. The government needs to look at its role, not just wash its hands and stop at good policies.

The UIA was a flawed concept that created investor backlash. “A simplified idea was oversold” and the whole country, including investors and the president, bought that idea. UIA was to be a “one stop shop” that would solve the economy’s problems. The concept was flawed from the very beginning because UIA does not have the right to give or authorize immigration permits, electricity connections, water, land, staff, or bank loans. This created a backlash among disappointed investors. If the entrepreneurial system could be freed of red tape, and an investor received one envelope containing work permit, licenses, and so forth, it would facilitate the process.

The government and the World Bank presented the UIA as the best thing since sliced banana bread. They say they can solve all my problems but they cannot even get me water! They cannot even get me an appointment with the minister of such and such.

UIA appeared to serve foreign investors. Local investors perceived UIA as a mechanism to pamper foreign investors. The foreign investors, in contrast, thought they had been “sold a lie.”

Local investors felt, “This agency does all these wonderful things, but they’ve never done it for me—they must be doing it only for foreigners.”

UIA dropped the ball. UIA has been in existence since 1991. It should have gone in for a new plan when it was recognized that the original UIA concept was flawed. Instead, the management failed to set up links with the water agency, the electricity authority, and so on. Some of these issues have been addressed under new leadership and a new plan is being formulated to replace the existing one.

There should have been another strategy [in 1994] to address some of the issues that were

making UIA fail. Now they have to dig themselves out of the deepest grave to make themselves credible. Maybe we should not have looked at UIA as a one-stop center. The idea was very good, but they should have addressed these issues earlier.

Investment requires a long-term strategy and long-term commitment. One respondent mentioned that a visitor from Ireland had compared Uganda to Ireland in the past. It was encouraging to imagine that Uganda could move forward, as Ireland has done, but private sector respondents stressed that, to work, government needs to be willing to take risks with the backing and commitment of the Bank. The main difference between Uganda and Ireland, they noted, was that Ireland had a long-term strategy: “Not five years. Let’s talk about 15 years.” Some large investors want forecasts past five years. Part of the GOU’s problem is that “year in and year out” the Bank seems to change strategies. Again, investors want consistency.

Key Question

- What do you think the Bank or the government could do to improve foreign investor perceptions of Uganda?

One improvement would be to change the way in which investments in Uganda are now viewed. Investors want their money to go to a place where they can make some money. Very few investors anywhere want their money to get “tied down” in Uganda. To improve investor perceptions of Uganda, “we now need to focus on building infrastructure.” One person also called for a “Switzerland Project” that set and maintained “world class” standards based on economic and political stability, efficient financial institutions, an educated workforce, and law and order.

That will enable a person sitting in New York or London to say, yes, the infrastructure is there, you can invest in a Ugandan bank, the Uganda Stock Exchange, or whatever.

Africa is going to be confused for a long time, but if we are the one place that is not con-

fused, all the money that is looking for a home in Africa is going to come here. Let's make sure that we do things in a world-class way—world-class locals, world-class financial systems, world-class education, world-class law and order, world-class political stability. There are so many people who could invest here, even to supply our neighbors. They will do that if they see us the way Switzerland has always seen itself. You go to Switzerland and the roads are clean and the financial system is tight.

The tourist companies in Uganda have the capacity and skilled people to work with international agencies and software companies in order to upgrade their software. Bill Gates went to India to see if he could get some alliances there. We could help the service sector [in Uganda] get an international footing.

Improving the regulatory environment

Key Question

- What three key actions might improve the regulatory environment for the business sector?

UIA should have more powers but also be monitored. UIA should have broader powers to provide investors with their infrastructure needs (permits, licenses, authorizations for power and water connections). Respondents noted that UIA would operate much like a privatized Department of Trade and Industry where a part of government handles most of these permits, licenses, and authorizations. However, UIA would need to be monitored to forestall abuses of power.

You have to really monitor what the UIA does with all that power ... so you have a watchdog over UIA.

But the concern is that if you give them too much power then, at the end of the day, you have an even bigger problem on your hands.

Other requirements for a stronger regulatory environment:

- *Efficient, quick contract enforcement.* If a bank lends money, the borrower must be

made to repay. Contract enforcement should be efficient and quick without necessarily involving litigation. This would enable people to do business with more confidence in one another.

- *Transparent rules and a level playing field.* Investors want to know what the rules are and want them to remain the same for all players for a reasonable period of time: “Rules can be set by the referee at any point during the course of the game.” Rules can be modified but only in consultation with private sector stakeholders; moreover, changes should be introduced with enough notice to allow private sector business plans to adjust.
- *Subcontracting UIA activities to private enterprise.* Some UIA activities could be subcontracted out to local private sector consulting firms that would perform as well as UIA, if not better. A contractor must deliver; UIA, which is part of the government, can “take their sweet time.”

UIA does not have to give you anything, but they will get paid. As a contractor, I will not get paid if I do not deliver. These embassies have their ears to the ground. They can assess what you give them.

Recently, an embassy approached us for an investment profile. We asked them why they do not go to UIA. They said, “Oh no. They are too slow.”

Infrastructure

Infrastructure Priorities

Key Questions

Surveys of private business pinpointed inefficient public services, particularly in infrastructure, as major obstacles to Ugandan business and exports.

- Do you agree?
- What are your top three priorities for improvements in infrastructure?

Road and rail improvements and power lead the list of priorities. Infrastructure inefficiencies cre-

ate major blocks for investors, both in movement of goods (road and rail problems) and in production (power shortages). Lake transport is also very important to the private sector. This group stressed the need for better roads and railway networks for the transportation of goods but said that infrastructure needs such as power and telecommunications were “very close” in importance (table 11.1).

The group also pointed to the critical necessity for urban planning, land management, tax relief, and a well-functioning financial system (especially for rural producers).

We need an efficient and reliable power supply.

We joke about power but it is a major problem. From a Bank risk point of view, it is a major problem. How can you run an extruding factory when you have your power switched off every five minutes?

The Bank should have helped resolve power problems long ago. Some thought that Uganda has paid too much to Bank consultants over the years, who did not help resolve infrastructure problems (such as power) “a long time ago.” Growth projections indicated that the country should upgrade its power supply, but not enough was done and power shortages will persist for at least another three years.

We are still talking about the same thing today. The World Bank is not fair. Sometimes it criticizes the government, when the Bank has been around for such a long time and could have helped us to resolve some of these prob-

lems; investors would not be having trouble with electricity [now].

Rural infrastructure development is a priority area. In the Kampala urban industrial area, the GOU has a vision for revamping services and the issues are being addressed. More improvements should be earmarked for the rural areas. There is no vision for rural areas, which creates a “very serious” gap in Uganda’s development.

The country needs urban planning. Urban planning should be improved, especially in Kampala. Roads need to be widened: buildings are being constructed “right next to the road and the road is not yet wide enough.” Garbage collection and sewerage also need to be addressed in concert with other infrastructure planning.

Government should not be asking what it can do, because at the moment the World Bank is willing to lend money for infrastructure. Government can fix the roads while it is also fixing the sewers. Do some urban planning! That does not cost a lot of money. Plan! Many problems stem from lack of planning.

Poor telecommunications restrict private sector activities. Telecommunications (data and voice) create problems for the private sector. High international telephone costs hamper business. A condition of liberalization was that the country would not have a “third operator” for three years. A new company that could reduce costs and set up a rural telephone program cannot enter the market until that condition expires: “Here’s a person who has the technology and all he needs is a satellite, but he cannot move.”

Table 11.1 **Prioritization of Infrastructure Needs**

	Power/energy	Roads/rail	Water	Telecommunications
First choice	5	9	0	1
Second choice	6	3	0	5
Third choice	3	4	0	6
Total number of choices	14	16	0	12

Source: Focus group data.

So many people in this country cannot make an international telephone call because it is prohibitive. Here are these Americans who can give you 30 or 40 cents per minute, with satellites, but they cannot do it because government will not let them. Are we liberalized? [Another participant cautioned his colleagues:] We do not know all the facts.

You cannot expect someone to come along as a second national operator and invest 70 million into a country without assurance that they will have a reasonable market share in a fairly small market.

Privatization

Key Question

- Do you think it would have been helpful and appropriate to privatize these services?

Privatization does not necessarily make utilities affordable. These private sector respondents disagreed on whether privatization of telecommunications had resulted in reduced costs (a third of what it was six months ago). Some believed that it had, while others argued that the majority of Ugandans, even in Kampala, still cannot afford to make a telephone call.

Privatization success depends on transparency and capable companies. This group hesitated to lend unqualified support to privatization because past privatizations had not been implemented in a transparent manner. The privatization concept is good, but privatization needs to be done transparently and to reduce costs to the average person. In order for that to happen, privatization needs to quickly convert inefficient public entities into efficient private companies. One problem with privatization is that “the most capable institutions in the world” in such areas as power are not especially interested in coming to Uganda (or Africa in general). “Mediocre” companies move in and cannot manage: “They have led to problems.” Successful privatization depends on whether the country is capable of attracting—and supporting—the most capable companies.

Privatization must go hand-in-hand with regulation. Privatization needs regulation to ensure that public monopolies are not converted into private monopolies—in other words, that competition prevails. However, the number of new companies cannot be so large that profitability is affected.

One reason that the country faces financial problems is that the GOU licensed 20 banks: “There’s not enough market in Uganda for 20 banks.” There must be a transparent way of deciding and running the banking sector with fewer players who have enough turnover to provide services at an acceptable standard. Regulation ensures fairness in a limited market.

For the present, high interest rates for investment loans (around 20 percent) are prohibitive for most companies who think of coming to Uganda.

This interest rate is why most of us cannot afford it and development of the country is staying behind.

Governance

Priorities in Good Governance

Key Questions

The Bank has supported the government in fostering the principles of good governance by promoting sound regulatory frameworks, legislation, sound institutions, the judiciary, national integrity program, independent bodies such as the Auditor General (AG), the media, and the like.

- How well has the Bank identified the right areas to promote good governance?
- Have these initiatives reduced corruption and promoted accountability?

The Bank identified the right areas, but is the selection of priorities right? The Bank has identified the important areas for promoting good governance, but respondents questioned whether the right priorities were being followed. In terms of economic governance, poverty in the rural areas is “unspeakable and it is unbearable.” That means that the government is having difficulty marry-

ing its political and economic policies in the rural areas. Corruption may aggravate the problem, but government needs to remove incentives for corruption in rural areas by providing essential services. Governance is also a matter of pursuing the things that “need to be done.”

Many things can be done in the rural areas. . . . The president recently was saying that 50 percent of Ugandans do not have latrines, for example. To dig these things does not cost money but requires the leadership and the governors of the villages to be serious about it and make sure that each homestead has one. Government has completely failed to get the villages to do some essential things. The present government has ignored some of these things, which are so fundamental for development if we want to uplift the countryside. People might be getting money in the village but they are not doing the things that need to be done.

Strategies for Good Governance

Governance initiatives have not been enforced. The initiatives are well conceived but, so far, they have not been effectively implemented or enforced. The group emphasized that the best way to promote governance is through enforcement.

Information and participatory decisionmaking are key missing ingredients. An element that is key for reducing corruption—information—is missing in Uganda. Getting information out to the average person is critical—it is “very important that civil society is informed about what the government is doing.”

What do we mean by good governance? Where the information goes, there is good governance. So I think it's a question of awareness.

In addition, to foster a positive economic climate, people must perceive the government as being genuine in terms of involving everyone in good governance. One person questioned whether the system allows for that kind of broad morality in government: “If you go to rural areas, you find the same people making decisions both on the polit-

ical as well as economic end—this is stifling efforts.” Decisionmaking must be participatory.

Salary disparities cause corruption in government. Disparities in civil service salaries lead to poor performance or corrupt activities. Even the watchdogs in government (for example, the AG’s office) have corrupt staff who collude with the staff of the parastatals they are supposed to audit. Stealing from the Bank or other donors is still part of the corruption picture. Uganda must be careful about developing a “Robin Hood kind of mentality—Robin Hood stole from the rich, but he was still a thief.” The Bank should encourage and require integrity in all its dealings with both the public and private sectors.

There is this mentality that as long as you steal from a World Bank project or a big corporation, it is not so bad because they are pretty wealthy anyway. I know the World Bank can only work in very subtle ways, but there needs to be strong encouragement to take the Robin Hoods out of society.

There are issues of corruption in some of the government parastatals that have not been put adequately at rest. You find that in some of the cases, the Auditor General sends his people there and they conspire with the people in those organizations. No one checks on what they have done. When it comes to governors in this institution, you have a problem.

In the ministries, I also see a distortion. The person in the Ministry of Finance gets a very big salary. If he is in the Ministry of Labor, he gets a very small salary. That disparity must create a risk. If they have reduced the number of civil servants, then we must work to improve the terms and conditions of these people and not just distort the [salary scales]. When it comes to the broader issues of governance, then you really have a problem.

Corporate Governance

Corporate governance issues also need attention. Now that the private sector is becoming more

prominent, the question of corporate governance is emerging. This is especially true for areas in which private and public sectors interface (such as regulation). Private sector respondents said this was an important area that needs attention. Private sector professional associations can monitor and evaluate and enforce standards.

We have had collapse of banks because of corporate governance. We must also look at those issues, which have not been addressed.

Government should see the writing on the wall. The center stage is moving from

government to the private sector, and I would request the World Bank to put money in setting up institutions in the private sector.

I want to see the World Bank very actively supporting the Association of Ugandan Accountants, the Association of Ugandan Doctors, the Association of Ugandan Bankers, and so forth. It is crucial.

You can get the reports from the accountants, the bankers, and commodity associations.



DONOR HEADS

The coordination from the World Bank from a technical point of view is good. But I think this is a structural problem . . . They are also an actor in this game . . . the Bank also has its strategy and its aid.

With sectoral involvement, the Bank should try to support what other bilateral donors support, in close conjunction with the Government of Uganda for programmatic approaches and overall financing plans.

Nine participants from the embassies or trade missions of seven countries, and from an international donor organization, participated in the focus group. The participants represented the Danish Embassy, the French Trade Commissioner's Office, the German Embassy, the Italian Embassy, the Netherlands Chargé d'Affaires Office, the Norwegian Embassy, the Swedish Embassy, and the United Nations Fund for Population Activities (two participants).

Key Lessons

- Since aid coordination is really the government's role, the Bank should focus more on building government capacity for assuming such responsibilities.
- The Bank should be a better partner and work more closely with donors on the ground.
- At the sector level, the Bank should not bulldoze ahead in pursuit of narrow objectives but should pay greater attention to wider sectoral perspectives and intrasectoral issues (such as procurement in the health sector).
- Although the Bank has been good at coordinating subgroup meetings, assigning lead roles to donors in specific subgroups, and facilitating a transparent partnership, it should be more open about its long-range plans and funding decisions.
- Because the Bank has leverage and should promote the interests of the Ugandan people,

it should focus more on policy reform and lending, in keeping with its comparative advantage, instead of on project financing, and not shy away from engaging government in such issues as governance and corruption.

- The Bank should not be driven by the need to increase lending. The Bank should pay greater attention to accountability for the use of its funds.

Assistance Strategy and Aid Coordination

Formulating Assistance Strategies and Prioritizing Development Goals

Key Questions

- How would you describe the formulation of assistance strategies and priorities at the country level?

- Is it mostly country-driven or mostly donor-driven, or is there equal collaboration?
- Are donor and country priorities significantly different?
- To what extent are aid coordination activities (as opposed to goals) consistent with widely held development assistance and country objectives?
- Regardless of how you approach this, do you find generally that your priorities for Uganda are in sync with the priorities of the Government of Uganda?

Ugandan and donor priorities generally match.

In general, donor negotiations with the Ugandans on “their [Ugandan] priorities, what they want funded and incorporated, means that they are in the driver’s seat in proposing . . . priorities.” While most donors agreed that “roughly the priorities match,” donors had some specific concerns. Military expenditure is one on which all donors are united. Another is the government’s slowness in shifting expenditures to reflect priorities: in health, for example, the Government of Uganda (GOU) has long been wedded to promoting preventive health care and to spending at the district level, but, in reality, large shares of the government budget still go to the Ministry of Health and the Mulago complex in Kampala.

Most donors have a similar approach to strategy formulation. Several respondents described in detail how they engage in formulating strategies and priorities (see donor accounts). Most donors have the same approach. On the basis of a country strategy developed by the donor government (which specifies, for example, which basic parameters should guide donor assistance, whether sector programs are to be emphasized, and which priority sectors are to be the program’s focus), the donor agency in Uganda conducts intensive discussions with the GOU with a view to selecting the donor’s priority sectors (such as education, Poverty Action Fund [PAF], health, agriculture, and public service reform program).

The locus of leadership varies by sector. Who leads in formulating assistance strategy, the government or donors, depends on the sector. The establishment of the PAF, which extends budget

support for poverty reduction activities, is a good example of GOU leadership, although the quality of the proposals submitted varied. Such quality issues are to be expected when donors are working with “a government that is still developing.” But in education, where the objective is to promote a sectorwide approach and government ownership, strategy was donor-driven.

In education, [the thrust has been] to move from project-oriented assistance to a sectorwide approach. The idea behind sectorwide approach is to put the government in the driver’s seat, but donors have made the initial push to achieve that. Thus, though the objective is to get government ownership, the main driving force behind that exercise . . . is the donors.

Although GOU stakeholder positions are diverse, the Ministry of Finance, Planning, and Economic Development (MFPED) is attuned to donor concerns. In general, the GOU understands very well each donor’s mandate, purpose, strategy, agenda, and funding scope. Although the GOU line ministries often differ with MFPED on their own strategies, donor participants were very appreciative of MFPED’s ability to understand donor concerns, shop around for aid, maintain a balanced stance, and manage the donors.

They [MFPED] are very good at managing us, and I think that should be said to their credit. It’s up to us to accept the degree to which we allow ourselves to be managed. I think this is, speaking in terms of ownership and all that, it’s not a bad underlying factor.

Poor interministerial coordination and weak GOU capacity lead to donor-driven implementation. Line ministry reluctance to accept MFPED’s role as aid coordinator often holds up implementation, and donors are encouraged to step into the breach. The group also concurred that while they subscribe to the principle that government should take the lead in development, projects often become donor-driven because of lack of capacity in the GOU (from proposal writing to implementation).

Government is supposed to be in the driver's seat. Many activities are donor-driven, because government does not have the capacity. Because of lack of capacity, we try to initiate assistance through national and international consultants. We have discussions with researchers in the country, and we support institutional analysis and needs assessment. We identify areas, projects that need some intervention; then we narrow down through our mandates [to the] ones we can assist.

How Donors Formulate Strategy

Most donors are moving to a sector approach. Most donors (Germany was an exception) spoke of trying to move away from funding isolated projects and toward “a more coherent [sectoral] exercise” that takes account of Uganda’s policies and has a sectorwide focus. Many donors appear to have the same basic philosophy, which makes it possible to make progress in Uganda. One respondent referred to the similarities as “remarkable” in Uganda, compared to other countries in which he has worked. Donor heads also agreed that although the Ugandan counterparts (line ministries) are usually weak and sometimes must be convinced of the positive elements in a sectoral approach, not much division exists among donors. They would like the Bank to acknowledge the wisdom of sectoral interventions and “adapt what they are doing to this framework.”

What I find remarkable here in Uganda is it seems that most of the donors ... have the same train of thought. There is very intensive discussion among ourselves to see to it that we follow more or less that same line in trying to get away from these isolated projects into a more coherent exercise. So I don't think not so much the division amongst ourselves is relevant here as much as the fact that we seem to agree on this.

Some government ministries are moving to a sector approach but the process is not easy. GOU ministries such as agriculture, education, and health are adopting a sector approach. As a quick way to access “easy money,” the sector approach

was initially reckoned to be an attraction. However, the line ministries are realizing that the sector approach is a lot more complicated than the project approach, involves a lot more transparency, implies the need to appease potential losers, and requires many more hard choices in prioritizing objectives within a given resource constraint. The Ministry of Agriculture, for example, found it hard to prioritize its goals within the resources available and come up with a modernization plan that was acceptable to the Ministry of Finance and the donors.

Examples of donor processes for formulating strategy, as reported by these donor heads, appear below.

Denmark

In 1995, the Danish International Development Agency, together with the Ugandan government [and] based on instructions from Copenhagen ... prepared a country strategy in which four priority sectors were selected, as well as some areas within human rights and democracy. This was a process undertaken very much in consultation with government. ... While this consultation is within our basic parameters, [Danish development assistance] is being reorganized (to focus more on private sector and on sector support programs) ... and fitted to the local situation in consultation with the government.

France

France [is similar]. We usually have ... programs or other ways we prefer to work, then our discussions with the Ugandan government, and following demands from [the GOU], we decide on the cooperation.

Germany

Relevant ministries [in the German government] developed a country concept that [reflects the country's] fundamentals for developing cooperation. Within that country concept, we have biannual negotiations on

our development program with the GOU and on the ground. . . . The Ugandan government normally proposes certain projects [for] either financial or technical cooperation. In the last two years, the German government rejected only one project [a water supply project in Gulu where security is an issue].

We commit our money every two years, but we have annual consultations in which the government can bring forward certain ideas for specific projects. This is [really] an ongoing process on the ground. . . . We want them to be in the driver's seat, because only ownership brings results.

The difference between the German approach and the Danish and the Dutch approach, for example, is that although we subscribe to the idea of the sectorwide approach, Denmark and the Netherlands are more advanced in discussion. They work with the government on bringing about this sectorwide approach, whereas Germany is still very much on a bilateral basis. We contribute to the sectorwide approach through our programs, but the management of projects remains very traditional. That has to do partly with capacity; although there is an office of technical cooperation in Kampala, it is from the Ministry of Economic Development, which is not present here. Direct involvement from a bureaucratic point of view is not here. Germany is not giving any budget support; the discussion about the fungibility of money is not very topical for Germany, whereas for Denmark and the Netherlands, it is very topical.

Italy

[We operate] from a geographical point of view, which means that our intervention is especially in the North, and from a sector point of view . . . mainly in health. We try to resist the pressure from the Ugandan side [in other areas]. We prefer [high] quality of intervention, because [Italy is a] small donor and priority come[s] from our traditions. Concerning the relation with the Ugandan counter-

part, we also have had problems of coordination around the ministries. [That is not] the case of our intervention in the North so we are quite satisfied. . . . We are not managed by the Ugandans but given the particular situation in the North, we have a lot of space for managing ourselves, of course in cooperation with the Ministry of Agriculture. When the Ugandans ask for intervention in other sectors, we try not to intervene because we have the structures [in the North and in health], and we prefer to keep them. This is more or less our strategy.

We are trying to put in place some projects in agriculture, but, unfortunately, we have found . . . many problems inside the Ministry of Agriculture. We intend to send a technical mission from Italy, because we have some fresh money, but we do not know how to use it. Unfortunately this money is frozen . . . for one and a half years because of this problem in the Ministry of Agriculture.

The Netherlands

We are trying to increase ownership of the government. It is our intention to move as much as possible to sectoral approaches and to dispense with projects. That does not necessarily mean that we will never do projects but that project elements have to be built within the framework of a sectoral approach.

Norway

[Norway does] not have a formal strategy for Uganda so far, although we are among the largest bilateral donors here. [Like] Denmark and Sweden, [however, this year] we have started . . . to work out a concept of country strategy. That [has not been] required from Uganda, but it will [involve] many people coming here and talking to Ugandans. The money comes from Norway, [which] means that we are setting the framework. Whether you call that donor-driven or not, is a question of definition.

We are impressed by how the Ministry of Finance works. We have been here two or three years, but we have assisted Uganda for a long time. MFPED seems to have some [very responsive administrators], who know what they are doing, and they organize well. Contact between MFPED and the line ministries is another story. It takes a long time and becomes very donor-driven. [This is because requests to donors for assistance must come formally from the Ministry of Finance and] this is difficult for the line minister to swallow. It becomes the embassy's job to bridge this [gap].

We have annual meetings, but our assistance is very much hands-off. [Implementation] is left completely to the Ugandans, but we read the agreement and stick to the agreement. The agreement is the main working tool for us. We know that two months before a meeting, we should have certain documents—they do not come. We have to start calling. In the implementation of projects, it becomes very donor-driven if there is a problem on the Ugandan side.

Sweden

[Sweden maintains] a tiny representation [in Kampala], which [might increase] in the future. [Our strategy is] to work very much in cooperation with other organizations in the health sector and the rural water supply sector. . . . In certain sectors, the initiative has come from Uganda. . . . We have . . . quite substantial cooperation with Uganda when it comes to human rights issues [perhaps because top Ugandan civil servants are aware of Sweden's interest in this area]. We have had cooperation in the energy sector.

Human rights and democracy are very much within our mandate, and will be even more so in the future. . . . Yesterday, the process started in Stockholm for a new strategy. There will be a lot of talks about partnerships, but if you have a situation in most sectors, as in health, . . . you have one side giving and one

side receiving, then to talk about partnership is very difficult. If you come into the commercial sector, it is much [easier] to increase cooperation.

United Nations Fund for Population Activities

Our country program is based on United Nations Fund for Population Activities (UNFPA) priorities and guidelines, but it is a . . . government-UNFPA country program . . . developed in consultation and with the acceptance of the government. Our focus is on health, specifically reproductive health, and the conference in Cairo . . . has been the guiding framework, for us as well as government, which has supported the outcomes and recommendations of that conference.

We have found in reproductive health, and . . . generally in the health sector, a significant lack of . . . donor coordination [by government] and coordination [among donors] and program coordination. Some of the subsectors which we would like to see being a more comprehensive whole are still split into separate departments—for example, the sexually transmitted diseases department, where there is much work and funding, and the maternal and child health department, where most of our support is given. The current restructuring of government and the Ministry of Health have not resolved that compartmentalization. We are increasingly realizing, among donors funding health, that we need to get our act together to have an impact in a particular subsector. While you would want to see the government in the driver's seat, right now the GOU situation is not helping us achieve our priorities for this sector, to which the government subscribes.

Responsibility for Aid Coordination

Key Questions

- Where does the locus of responsibility for aid coordination lie in Uganda?
- Has there been a change over time with the government taking over more responsibility?

- Have there been measures taken to improve aid coordination capacity in the government?

The responsibility for aid coordination lies with the Ministry of Finance. There is no doubt for donor heads in the focus group that the responsibility for aid coordination lies with the Ministry of Finance, especially now that the Ministry of Planning has been merged with Finance.

The Bank has taken the lead in donor coordination. On the donor side, it is clear that the Bank has taken the lead. Although some donors think that “it should have been the United Nations Development Programme” (UNDP), others were of the view that the Bank has “some mandate” for coordination. In any case, no one saw any particular disadvantage in the Bank trying to organize aid coordination.

In some countries, the monthly donor meeting is headed by UNDP and the Bank participates. Where the Bank plays a major role in terms of financing, coordination goes where the money is, and that is clearly the case in Uganda.

The Bank’s donor coordination forum is useful but the Bank is not a neutral coordinator. Donors agreed that the Bank is “organizing a good, open forum” in which questions are encouraged and donors can present what they like. However, although the Bank’s coordination is very good from a technical point of view, a structural problem (which would also apply if UNDP were the coordinator) mars its performance: the Bank is not neutral. It has its own aid strategy, which affects the way it attempts to coordinate donors, and if that differs from donor perceptions of appropriate strategy, then there is dissatisfaction with the Bank’s coordination. Unless a neutral agency can be found to take over the aid coordination role, such conflicts are inevitable.

Aid coordination requires transparency and is best done at the local level. Although there is a clear limitation to donor coordination (“there is a difference between what one says and what one does”), donors agree that it is necessary. One par-

ticipant suggested that coordination might be accomplished best at the local level: “It is very much a question of chemistry among the donors.” Moreover, both the donors and the government realize that coordination requires transparency. This is particularly important in Uganda, where such a large part of the budget is supported by foreign aid.

[Coordination means] that you are the facilitator of the process where priorities come out clearly, different interventions to different areas are laid open, and everyone can see what everyone is doing [both on the donor side and on the government side].

When you look at the large share of the government budget being supported by development aid, I think there is a clear realization that this kind of coordination, this openness, is necessary. I think the government has also gone very far in realizing that they manage this process much better if, for many of the issues where there are problems, they come [to the] meetings, throw the problems on the table, and say, “This is our solution—[tell us] if you can come up with something better.”

The Bank’s Performance in Donor Coordination

Key Question

- What is your assessment of the Bank’s performance in country-level aid coordination efforts?

The Bank has done a good job but there is room for improvement. Donors assessed the Bank’s performance in the critical areas that involve coordination: donor coordination processes, building donor consensus on Ugandan performance, overall role at the macroeconomic level, sectoral interventions.

The Bank’s performance in *facilitating coordination* was generally commended.

It is certainly my impression that the local Bank office here and the staff really, honestly try to be a facilitator for a partnership within the donors and the government. The local

donor meetings take place in a very open atmosphere.

Similarly, in the area of *macroeconomic management*, the Bank has sought to promote coordination in the widest sense and to make macroeconomic processes more open and inclusive. Thus the Bank has helped to move the government's budget-making process from one driven by consultants (as in 1997) to a much more local process involving government agencies and donors.

However, the Bank could have done better in developing an *overall consensus among donors*—bilateral donors and multilateral financial institutions—on where the country is heading. There is a discrepancy between the two groups' assessments of corruption and privatization in Uganda. The statements in the Policy Framework Paper differ strikingly from the joint donor statements to the Consultative Group (CG).

Everyone has their own responsibilities, but it is not a good thing that the bilateral donors say it is black and the financial institutions say it is white.

That doesn't mean I assess the Bank's work with regard to preparation of the CG or their overall work with regard to the general development of Uganda as negative ... but it's good to highlight the criticisms.

At the *sectoral level*, donors found Bank performance to be disappointing. In education, where the donors have been trying to develop a common sectorwide approach, the Bank has pursued its own agenda. In public sector reform, where the bilateral donors have been promoting "a more programmatic effort," the Bank has been "absent" from the discussion. A more concrete example is provided by the Bank's role in health, where most donor agencies are committed to integrating reproductive health services at the country level: the Bank's Socially Transmitted Infections Program appears to reinforce the compartmentalization of the Ministry of Health; in the AIDs area too, the Bank has not been part of the donors' effort to coordinate their actions

through the Joint United Nations Programme on HIV/AIDS.

In the past, with some other donors, we channeled funds through the Bank for retrenchment within the framework for civil service reform. That money was spent with so many delays; in the two years that was ongoing, I never once saw someone from the Bank from Washington. There are always good reasons of course. ... It has improved now.

Because the Bank's local sectoral competence varies, it relies unduly on missions from Washington. The variance in Bank performance across sectors (donor heads specifically referred to a "disconnect" in education, public service reform, and the legal sector) results in part from the variability in sectoral competence at the resident mission. In some sectors, "people are strong, but in others they are not." In any case, Bank operations seem to depend too much on short missions from Washington. While donors acknowledged the positive functions of Bank missions—donors try to have their own staff join Bank missions because they know that important decisions will result—in several sectors, the Bank missions that come out twice a year for two weeks at a time create resentment and confusion. Mission impact could be improved if the Bank stretched the missions out over a longer period and took a more partnering stance.

These missions are important. I don't think they shouldn't come, but they should perhaps set less of the agenda.

The Bank's enormous power and clout cause resentment. As an institution, the Bank has enormous power and influence in a country like Uganda. Even if the contributions of other donors taken together in specific sectors at least equal the Bank's, the Bank still has far more impact than the donors combined. Respondents said that this bias is reflected in the GOU's tendency to focus on Bank missions, even when local donors have been engaged in "long, ongoing dialogue" with government.

When you take each of us and put us together, two or three of us in some of the sectors, we are at least equally [as] big [as] the Bank, if not bigger. But a lot of the government focus seems to be on the Bank in the missions.

The Bank stresses disbursements and, compared to other donors, requires less accountability. The Bank's priority seems to be to spend or to initiate new projects. The Bank has the reputation of being more lenient with accountability than other donors. Some respondents believe that the Bank places less emphasis on accountability because its money is not at risk.

Some programs are very driven by spending priorities and decisionmaking in Washington.

The Bank, although it is called a bank, it is not an actual bank. It is not risking any capital. The Bank is always getting it back. . . . To my knowledge, borrowers are paying back to the Bank in a year the same amount they have contributed.

Some claim that the Bank's personnel policies offer incentives that encourage Bank staff to lend more than objective conditions would warrant and that there is a relationship between staff salary increases and the volume of loans they prepare.

Given its size and intellectual reputation, the Bank is able to pursue its own agenda. Even when the GOU and local donors have agreed on a program, it may be discarded, ignored, or reversed at the suggestion of the Bank mission. It is often hard for donors to challenge Bank conclusions and recommendations intellectually, even when they appear to be impractical. The small size of local donor organizations limits the kind of feedback they can effectively give to Bank missions. Nevertheless, despite their impressive curricula vitae, the knowledge that Bank consultants have of local conditions is often limited. Therefore, as far as sectors are concerned, the Bank should perhaps let the local donors and Ugandan institutions take more of the lead.

People have been surprised afterward . . . and felt that their toes were being stepped on, because [the mission outcome was not in keeping with] what had earlier been agreed on between key donors and the government. This split occurs between the local office trying to do its level best and [actual] programs . . . very much driven by spending priorities and decisionmaking in Washington.

You can imagine the situation for the Ugandans, especially when staff come outside MFPED into areas where they do not have training. The mission will get the answers they want. It will be, "Oui, monsieur." This means that the missions are very much on their own. The answers will be their answers; the thinking will be their thinking. They have been on a mission, they have talked to regional district authorities who all welcome them, but there has not been any real dialogue.

Take the privatization project. The task manager comes regularly from Washington. She offers talks on a regular basis and is very clear about [wanting to get] information from the ground. If you look at the meetings, only three or four people attend.

Donor heads acknowledged the need for self-criticism, too: while "foreign missions and expert teams" should have sufficient local knowledge, donors should also be self-critical about their capacity to meet a mission's expectations and provide decisive practical input. Donors also admitted to suffering from large missions from their own headquarters, much as the Bank's resident mission does.

The challenge for the Bank is to stay more continuously and regularly involved. The challenge for the Bank, donor heads suggested, is to turn the situation around and ask: "How can the Bank better play a role on a continuous, regular basis, in the discussions that take place between donors and government?" The answer, first and foremost, is to avoid "parachuting efforts twice a year with enormous teams." The missions are important, but the challenge is to reconsider old

ways of working, realizing that for government and other donors, more continuous dialogue could be useful. That could involve more functions, staff, and responsibilities for the resident mission.

Moreover, a more programmatic approach might help the government move into the driver's seat in aid coordination: the Bank could consider joint sectoral missions that involve all donors and the Ugandan government, like the one tried in education.

The Bank should consider giving more grants. Donors noted that the Bank primarily gives loans rather than grants. They welcomed the fact that in education, for the first time, the Bank has donated grant money. In some areas, it might be disadvantageous to use grant money; hence, a discussion of grants versus loans would be helpful: “When you have the prerogative to spend as we all do, it becomes a problem.”

The Bank should have a clearer sense of its comparative advantage and leverage. This group stressed that the Bank is a very important member—but still just one member—of a collective intervention by donors. To maximize its impact as a donor, the Bank should concentrate on policy-based lending and on getting the policies right rather than on individual projects: “A number of us feel the Bank would have a comparative advantage in this.” For example, when questions of good governance and problems of corruption came up, they were not pushed forward by the Bank; rather, the bilateral donors pressed these issues over “some heated discussions” before the CG meeting last year.

The Bank should not shy away from uncomfortable issues, when they are clear. The Bank should not come here to have cozy talks with the government and tell each other everything is fine. Because with their leverage, they are the only ones that can do anything about corruption. Bilateral donors do not have this comparative advantage.

Thus the Bank has a leading role to play on macroeconomic and other overarching issues.

Other locally based donors might be better equipped to take the lead in sectoral areas.

Implementing Aid Coordination

Impacts of the Move of the Consultative Group to Kampala

Key Question

- What effects have been realized or are anticipated from the move of the last CG to Kampala?

Holding the CG in Kampala was a positive move. The CG meeting in Kampala was “the right move,” according to donor heads. First, the president was able to sit in and listen to donor statements and the ensuing discussions. Second, media reportage about the CG meeting was significantly greater, which is a major step forward: “For the last Paris meeting, there was just one article about the CG meeting—that it had happened and who had attended.” Third, opening the meeting to the Business Forum and non-governmental organizations (NGOs) contributed substantially to involving the public in the process. Holding the meeting in Kampala also strengthened government ownership. The group agreed that the CG should continue to be held in Uganda.

Although I was rather critical at the beginning, I really endorse the idea of having the CG meeting from now on in Kampala. I think it was really good and successful.

I have participated in two CG meetings in Paris, and the main gain by having it here was the amount of information that came out of this meeting through the Ugandan papers. If you look at papers in previous years, you will find there was more mud, nothing real, and no one felt any ownership at all. On the contrary, [according to] radical groups in Uganda, the CG meeting in Paris is a meeting between government and donors sort of ganging up. No transparency.

When we reported this to our ministry, we got a very positive report back [on] the way these things have taken place and the outcomes.

The papers were full of discussions on these things for a week. You didn't see that before.

It's so obvious that it will be here next year ... unless people at headquarters change their mind. ... On certain levels in the Ugandan government, they feel a little more comfortable by having it in Paris. Less criticism. It's going to be very interesting to see whether it's going to continue here or not.

The organization of the CG meeting could be improved. Practical preparations could have been better organized. This was the first time the CG was held in Kampala, so it was not perfect, “but it is a learning process.” For example, the pledging session caught some participants by surprise; donor agreements with the Bank on the agenda need to be strictly adhered to. A second point is that there should be no discrepancies between the statements of the Bank and the donors.

It was agreed, in preparation meetings with the Bank here, that we would not have a pledging session, but suddenly there was a pledging session. At the end, everyone said how great [the Ugandans] are and how much money [donors] would give. We refused, because we stuck to the agreement that we would skip that boring exercise. A stricter agenda should be followed.

It was very positive to have CG in Kampala. We should try to see—and the Bank has a crucial role to play in this—whether the discrepancy between the Bank and the joint donor statement could be discussed more extensively before the meeting. To give conflicting signals is not good.

Donors generally agreed that pledging should not be part of the CG meeting. Donors were of two minds about pledging. One view was that if donors are critical of the government's performance in the initial CG sessions, then pledging more money than ever for the government in the following sessions only serves to deflate the critical reviews. An alternative view was that the purpose of the CG meeting is to assess its financing needs and col-

lect information on what is available to the government; hence pledging is important. However, one participant suggested that it is not very useful for the government to know what the aggregate amounts pledged would be; it is much more useful for government to know what assistance will be forthcoming during the following year for different areas and how these amounts will be built into government's budgeting process. Such an exercise, which might also be more useful for the government's own planning purposes, could be undertaken by the Bank (in support of MFPED) outside the CG context in preparatory sessions for the CG. The pledging session could thus be separated from the CG meeting.

Effectiveness of Donor Meetings

Key Questions

- How effective are the monthly donor meetings led by the Bank?
- What are the main strengths and weaknesses of these aid coordination activities?

The resident mission plays an important facilitative role but the GOU is absent from donor meetings. The resident mission staff try hard to facilitate partnerships among donors. Bank staff follow up by arranging meetings between the donor community and government: “That should be very much commended and underlined.” Moreover, the local donor meetings take place in a very open atmosphere. Discussions throughout the year address important issues—corruption, preparation for the CG meeting last year, and donor coordination, for instance. Nevertheless, donors regretted the absence of regular government involvement in the donor meetings.

I participate in donor meetings because I want to get correct information that can increase the quality of my own work. I talk to my partners to see whether they think our ideas are good. I want to know whether they are doing the same thing.

Key Questions

- How effective is sector selectivity and coordination?

- How effective are the sectoral donor meetings?
- What are the main strengths and weaknesses?
- How effective is government participation?
- Is there collaboration with all active donors in the sector or domination by a “lead” donor?

Sectoral donor meetings are effective but donors want more GOU leadership. Donor heads differentiated between types of meeting: subgroups, which are headed by one or more donors, and meetings within sectors, which are headed by the line ministries. The subgroup meetings are helpful, although they could be even more useful if the relevant line ministry participated. The realization that development aid needs “more coordination, more transparency, and more working together” has improved the content of these subgroup meetings. When it chairs a meeting, the GOU is increasingly realizing the benefit of presenting things in an open fashion and jointly addressing issues.

One would wish that these coordination meetings we have would be chaired by the relevant Uganda ministry. That is our aim, isn't it?

The problem is the involvement [and] the incentive of the other side. [Many] sectoral coordination meetings are almost [solely] among donors. The relevant line ministry often is absent.

Some donors hesitate to engage in policy and design. Some donor heads (France, Italy, and Norway) raised the concern that, with sectoral donor meetings, government has allowed a donor group (consisting of embassy staff who happen to be in Uganda) to make policy and program design decisions on very important matters. They said that their embassies do not have appropriately competent people to participate in such processes: “Although we partake, we realize our limitations.” These respondents felt that the embassies, with help from their technical advisers in sectors, could do more to point out inconsistencies and ask the GOU to address them. They should not “dictate to the government” how to proceed. For this set of donors, providing more

substantive input would require more assistance from headquarters or hiring sectoral specialists.

We have been observers, because ... we are very interested in funding a sector program; that is absolutely our number one priority. If we were to participate in the working out of [policy and program design], it would not be at the embassy level... I even had a letter from [the Minister of Health], who had noticed that we did not participate in the meetings; he was not happy. We are supposed to respond to [a document], but if we do ... we [will] have given the green light to something that is really above our competence. I have been a little frustrated [by] this process, I must admit.

With these caveats aside, respondents said that they found both sectoral and subgroup meetings very useful and “always a source of information.” One suggestion, to develop “bilateral” relations between the Bank and individual donors, was to establish a relationship on a regular basis between the “Bank sectors” and donor sectors. Such meetings would be in addition to existing arrangements. This would improve bilateral (donor) relations in the different sectors.

The Bank's Sectoral Strengths and Weaknesses in Implementation

Key Question

- Where are the Bank's strengths and weaknesses in terms of implementation?

The Bank should avoid implementing projects. The Bank's strength in sectoral development lies not in implementing projects but in providing policy-related sector credits. One person argued that the Bank should stay away from implementation because the “more traditional project approach funded by Bank loans did not go well or even went very badly.” The Bank should concentrate more on promoting sector policy issues in coordination with other donors. In education, for example, the Education Sector Adjustment Credit is having very positive impacts. In contrast, a traditional project, the Primary Education

Teacher Development Project, is “one of the worst performing projects according to all standards of the Bank.”

Achievements and Efficiency

Impact of Aid Coordination on Development Goals

Key Question

- To what extent have aid coordination activities had an impact on potential development goals: poverty reduction, gender development, sustainable human development, finance and private sector development (PSD), environmental sustainability, national development program?

Aid coordination cannot be clearly linked to development outcomes. This group could not readily identify direct outcomes of aid coordination in poverty reduction or other development goals. Development is such a complex process that one cannot isolate the issue of donor coordination as a factor in success. All aspects of development are closely interrelated, and donor coordination is just one element.

We all sit and think of what springs to mind. How can we say that aid coordination has contributed to development goals? ... There is not a very clear connection.

One person cited a study of the impact of poverty reduction between 1992 and 1996. The most important factor was liberalization of the coffee market, but was that donor coordinated?

This has been an ongoing battle between the government and the donors. The donors all say that liberalization is contributing to development. They took the position to open up the coffee market, and now those grassroots producers have profited. Ten percent of those who lived beforehand in absolute poverty moved out of poverty. There is dialogue, but to link that now to donor coordination is difficult.

Direct causal links between aid and change are hard to identify: Donor heads were asked, “To what

extent have your activities as donors (including the Bank)—as opposed to aid coordination—been successful in reducing poverty?” As with aid coordination, it is difficult to establish the link between each donor’s individual interventions and direct results on the ground. However, the group was more willing in this case to assume that its support was fitting into an overall framework that is moving Uganda essentially in the right direction and will bear fruit over time. They feel comfortable that the general policies of the Ugandan government—such as strong macroeconomic management and privatization—are leading to growth.

If you look at the various interventions that each of us supports, it is very difficult to say that this little thing has a direct link to poverty reduction.

We believe that somehow we contribute with our efforts to those [overall] aims...

There are things going in the right direction.

Should the Government Bear the Costs of Aid Coordination?

Regarding cost-recovery, is it fair to ask GOU to bear a portion of the costs of major aid coordination efforts? Should GOU incur a minimal amount of the cost as a means of enhancing ownership?

Responsibility for the costs of aid coordination is not clear-cut. Some respondents felt that the GOU should take responsibility for aid coordination. They agreed, however, that if the central government does not routinely take that responsibility, donors must “get their act together in the absence of a strong government.” These respondents hold “realistic expectations” that government will be able to take over these costs in the future, just as it will also be able to raise enough revenues.

Other donor heads failed to see the logic in expecting government to pay for aid coordination, since the money would end up coming from donors anyway. They debated whether it is appropriate for government to pay donors for coordinating their aid: “It is a strange idea.” Moreover,

requiring the GOU to pay for the CG meeting, for example, could result in a smaller, more limited meeting. In addition, the costs could provide the GOU with an excuse for not involving specific groups (for example, media, NGOs) and to claim that they have money only for the actual CG. Donors seem to be unconcerned about the need to reimburse the Bank for its expenses on the CG.

Several respondents agreed that paying for aid coordination would not necessarily increase government ownership, which they see as high.

In the context of the CG meeting, the motivation of the government to participate and to contribute to the process is high, so that you do not need an additional signal of ownership to pay expenses. The overall aim is that something comes out of the CG and that the process leads to common goals. I see other areas where the commitment of government is increased by having them pay costs, but in the concrete context of the CGs, I have no problems with whoever pays.

One person questioned whether it is possible to differentiate financing coordination from financing development projects.

How much of the government budget are we talking about donors financing? Does it make sense to say, “For this particular item, they should finance all or nothing or 60 percent?” You have to look at these things broadly and make sure that the important tasks are accomplished.

Decentralization and Regional Differences

The Impact of Decentralization on Aid Coordination

Key Questions

- What has been the effect of government decentralization on donor activity and coordination, both between donor and government and among the donors themselves?
- Do you expect this to change significantly in the medium term?
- How would you describe the effectiveness of donors intensively targeting particular districts?
- Is the participation of other donors discouraged, sometimes at the expense of beneficiaries?

Donors need to assess the effects of decentralization. Donors are beginning to realize that decentralization is affecting how they work. Embassies are planning to analyze their own activity plans in order to trace the impacts of the decentralization process on their development strategies.

Decentralization may bring donors closer to districts. Decentralization has induced some districts to request direct funding from donors instead of funding through the central government. Consequently, some respondents thought that they might have to coordinate activities directly with the districts for local policy implementation rather than through central government.

Districts are saying that when [we] give funds to the central government, it goes through a lot of bureaucratic processes to get the funds to them. They would like to see what comes to them directly. If government is in support of decentralization, I do not see any reason why the government should not allow donors to deal directly with the district governments to be able to have more impact at that level. This was expressed to me during my mission.

Decentralization poses dilemmas. Although donor heads said they are “very supportive” of decentralization, they are also very aware of the dilemmas, trade-offs, and possible contradictions that it entails.

Decentralization is affecting donor work in priority sectors because it increasingly involves working with district political and administrative levels rather than the line ministry only. Decentralization thus raises issues of “control and policy”—at present donors are trying to balance direct support of districts with sector support provided through line ministries.

Working with districts carries both positive and negative implications. On the positive side, aid might become more efficient, because beneficiaries will have a greater say in development

projects and aid will reach them more directly. On the negative side, the weak capacity of the districts implies that in order to achieve sector objectives, donors have to build up administrative, planning, and accounting capacities at the district level. If donors restrict their activities to sector work, projects might flounder for lack of capacity. Moreover, such capacity building will involve hiring private entrepreneurs and consultants, itself a challenge.

It becomes a choice of how far you go into general issues if you are working in health or agriculture. If you are going to work through the district systems, there is a need to build capacity so they can carry out the activities.

Future aid should move toward a more general approach. In the long run, this group thought that donors should move from district activities to a more general approach, based on using equalization grants as a means of supporting specific disadvantaged districts. Government mechanisms to assist districts should fit within the overall Ugandan framework. These donor heads do not see that happening yet; since “the problems are especially severe and at the moment not much attention has been paid to them by the government,” donors try to work out different modalities to assist districts.

Targeting districts varies among donors. Donors vary in whether they target aid toward particular districts.¹ Some (although they operate in the less-developed North, which could be defined as a targeted area) do not target at all. Security issues are not necessarily the major deterrent to targeting districts—experience in other countries has shown that focusing aid on specific districts can make it “uncontrollable.” Others follow a dual (and what some donors termed an “inconsistent”) approach. That is, they provide support to a particular district and at the same time give indirect support to specific districts under various sector programs and national initiatives. Typically, they select some districts for on-the-ground activity because they cannot be involved in the whole country. Such a combined approach (or “inconsistency”) also characterizes the GOU’s strategy.

With decentralization, [we fund] local government for investments by [funding] three or four districts plus a number of municipalities. At the national level, we have activities that take place on the ground . . . in a limited area.

We typically support district-level activities in the sense that we fund [some capacity building and support] of the central body. For instance, the Maternal and Child Health project operates through the Ministry of Health, but most of the activities funded . . . take place at the district level. We typically do not fund to districts directly, but activities such as training occur at the district level.

We do not focus especially on districts. It depends on the programs, but we focus more on the sectors and then the aid goes into districts.

There are three different funds within the Ministry of Local Government, which aims to provide funds to districts (district authorities decide how the funds should be spent). [In contrast,] the Poverty Action Fund [makes] conditional grants (the center decides on specific purposes in specific areas). There is a clear inconsistency. On the one hand, you treat the purposes of decentralization. On the other hand, you need to ensure that funds are spent on specific areas that both the government and ourselves want to support.

The Challenge of Conflict in Northern Uganda

Key Question

The continuing conflict in the North of Uganda and the relatively poorer level of service delivery there has been characterized as the biggest challenge for donors in Uganda.

- Do you agree, and to what extent will this challenge be met?

The continuing conflict in the North of Uganda and the relatively poorer level of service delivery there has been characterized as the biggest chal-

challenge for donors in Uganda. The European Union alone has \$100 million for projects that could be carried out in the North if not for security problems. The GOU carries the main responsibility for enabling disbursement by creating a situation in which security is no longer an issue.

In addition, the European Union has taken the lead in trying to coordinate activities on various levels in the North. This involves coordinating aid within the European Union and the missions on the ground, Bank projects, and the UN system. NGOs currently active in the North were invited to a recent meeting that was designed to (a) set up a databank of ongoing projects in the North, (b) identify where certain donor countries or organizations are active, (c) trace where the aid flows, and (d) discuss these topics in general with the government.

Technical Assistance

Ugandans are questioning the efficacy of technical assistance (TA). One of the issues raised during the CG by the president's office has been the efficacy of TA. The costs of TA programs seem to have outweighed their benefits in Uganda. The Bank is especially vulnerable to criticism, because, unlike bilateral donor TA, which is funded by grants, the costs of Bank TA have to be repaid "by the poor farmer." (The issue of the efficacy of TA was raised by a participant; it was not part of OED's protocol for the donor heads group.)

Note

1. Donors such as Danish International Development Assistance, Ireland, and the Netherlands have targeted specific districts.



DONOR SECTOR SPECIALISTS

During the short time I have been here in Uganda, I have been very impressed by what I am seeing, compared to other countries.

I can't see [Donor X] at the present time having the guts to conduct this kind of meeting, inviting criticism of itself, so you have to be congratulated.

Twelve sector specialists from 10 national and international donor organizations participated in the focus group. The participants represented Danish International Development Assistance, the Delegation of the European Union, the U.K. Department for International Development (DFID, two participants), the Food and Agricultural Organization of the United Nations (two participants), the Royal Netherlands Embassy, the Norwegian Agency for International Development, the Norwegian Embassy, the United Nations Development Programme (UNDP), the U.S. Agency for International Development (USAID), and the World Health Organization (WHO).

Key Lessons

- The Bank's comparative advantage lies in promoting policy reform and structural change based on in-depth analysis of reform issues, not in projects. However, the Bank is too wedded to ideology (privatization that seeks to promote a narrow macroeconomic agenda) and fixed ideas (such as training and visitation in agriculture).
- The Bank should promote a long-term, holistic, perspective in the spirit of the Comprehensive Development Framework, supported by sectorwide approaches, better donor-Bank partnership based on comparative advantage, and better integrated interventions at the local level. The Bank should
- continue to use its influence with the Government of Uganda (GOU), on behalf of donors, to promote sector initiatives.
- The Bank should help develop consensus on how to marry the evolving sectorwide approach with decentralization. Decentralization empowers local stakeholders, but there is also a need for sectorwide approaches to protect national and sector priorities, service standards, and accountability across the country.
- The Bank should support locating annual Consultative Group (CG) meetings in Kampala to promote government ownership and further engage Ugandans in the development assistance process.

- The implementation of Bank projects is weak. The Bank should:
 - Eschew large missions that strain government resources, give field staff responsibility for projects under implementation, and locate task managers in the field.
 - Restrict procurement under international competitive bidding to the large infrastructure projects and not require it for small social sector projects.
 - Improve project monitoring.
 - Assess its policy of creating new institutions such as project implementation units (PIUs) and parastatals that circumvent the need for civil service reform.
- The Bank needs to be a better listener, involve other stakeholders in meaningful consultations at all stages of the project cycle, and be more open about its long-term plans and programs.
- The Bank should implement its rhetoric of being the donor of last resort, especially when grant money is available from other donors.

Assistance Strategy and Aid Coordination

The Formulation of Assistance Strategies and Development Priorities

Key Questions

- How would you describe the formulation of assistance strategies and priorities at the country level?
- Is it mostly country-driven or mostly donor-driven, or is there equal collaboration?
- Are donor and country priorities significantly different?

The government has recently begun taking the lead in formulating strategy. In the past, when an emergency situation prevailed, it was natural for the donors to take the lead in formulating strategy. But over the past two to three years, in such sectors as agriculture, education, and health, the government has expressed its wish “to take a little bit of the steering wheel.” In some sectors, the government has not only come out with a clear statement of its sectoral vision but has also invited donors and non-

governmental organizations (NGOs) to help it “develop the future.”

Program strategies may be increasingly government-driven, but donors still drive implementation. In sectors such as education, where there is a strong sense of ownership at a high level of government, strategy is generally articulated by government as a political initiative. But because of weaknesses in the civil service, government finds it hard to move from “great ideas to real implementation.” Thus strategies become donor-driven in their implementation.

Donors have worked a lot with the government in making a political statement a realistic program. And in that process, a lot of times what happens is [that] a political pronouncement, which is definitely government-driven, becomes donor-driven in implementation.... Then you get this conflict of what is donor-driven and what is government-driven, and what is donor-led and donor-coordinated. And I think that's where we are right now.

The strong donor-NGO response in Uganda makes aid coordination difficult. Given the poverty that prevailed when President Museveni came to power, donor response was very strong. Many donors and NGOs are “trying to make things happen,” and that in itself makes it very difficult to coordinate assistance strategies and priorities: “The needs are everywhere.”

Ugandans need to think strategically in using aid. One of the frustrations that arise in coordinating aid stems from what one respondent called “donoritis”—the expectation that donors are in Uganda as banks “to just give money away for just about everything that is needed.” While that was perhaps justified in the early years, the time has come to think more strategically about the most effective use of donor influence and money. This implies the need to shift the leadership over to Ugandans for strategy development and priority setting. Donors need to move away from the idea that they will keep funding a large proportion of the government's operational costs.

Collaboration depends on the sector. The extent of collaboration on strategy formulation and priority setting depends on the sector. Although government and donor roles differ in each sector, some general patterns are emerging. Summaries for each sector follow.

Agriculture: Primarily Donor-Driven

Agriculture is primarily donor-driven, but the sector is improving. Government and donor initiatives are right now more or less merging into one strategy. Agriculture is the primary sector in terms of opportunities for poverty eradication in Uganda. Economic development in this sector has flagged, however, because the Ministry of Agriculture has not had the capacity to develop a strategy. Donors have met regularly on the subject and have led the process; they have problems coordinating their visions and strategies, but that situation is also improving. A significant lack of commercial private sector participation has also hurt this sector. However, an impressive feature of sectoral cooperation is the high degree of involvement of other nongovernmental parties, which seem to be much more active in Uganda than in other countries these specialists have worked in: “It is quite impressive—they try to make it very inclusive.”

I have a serious question about when and how well the GOU and the ministries will be able to take ownership of this process. There is still much work to be done here.

The Ministry of Agriculture’s response to decentralization illustrates the difficulties of “government ownership.” Respondents pointed out that the ministry, which should have been pushing decentralization because it has to deal with millions of small farmers, did not take any part in it: “That is one of the main troubles of the ministry for the last four or five years.” Regardless of whether this stemmed from a lack of understanding or capacity, donor sector specialists thought that “the Ministry of Agriculture should have understood decentralization the best.” For this and other reasons, some respondents said they were skeptical about Uganda’s chances of making “dramatic progress in agriculture” in the near future.

Education: Country-Driven in Strategy Formulation but Donor-Driven in Implementation

In the early days, the formulation of assistance strategies and priorities in education was country-driven at the macro level. In 1988, the government identified education as its number one priority in requesting donor financing. The GOU developed a White Paper that served as a basis for USAID and the Bank to contribute “massive amounts of funding” from 1991 through 1996. The goals were to improve quality through teacher training, provide instructional materials, give budget support to programs to increase sector financing, and raise teachers’ salaries tenfold. In 1997, President Museveni announced the government’s adoption of the Universal Primary Education (UPE) initiative; education strategies and priorities are thus still country-driven.

It is government-driven on the political side. Uganda has all the basic documents that we need for a reform program.

However, UPE was largely a political pronouncement, and many additional donors—including the DFID, the European Union, Dutch Aid, and Irish Aid—came forward to support the government’s initiative. Since 1997, they have worked with government to transform its political statement into a realistic program. The struggle with government is over how to implement a realistic program, which leads to the conflict of what is donor-driven and what is government-driven.

Thus, in education, the GOU realizes that it must think in terms of a long-range strategy for the entire sector (its White Paper bears this out). Government also needs to conduct an on-going dialogue with donors to translate goals into reality; this is because donors can point to the obstacles and concerns involved in implementation. Balancing the roles so that the main policy responsibility lies where it belongs (on the GOU side) is a high priority for this group.

There is no doubt that government has a strong sense of ownership at a high level—

education is a priority. It is embodied in the Constitution, it is in the White Paper, and they do not miss one opportunity to insist on that.

When it comes to developing a sector program, however, the education sector (and it is not unique) is confronted with the weakness of the civil service, “who have no means and no idea” how to implement good ideas. “They cannot make the link with the budget implications.” Consequently, when it comes to shifting from policy statements to program implementation and financing, a donor ends up in the driver’s seat. Later, the GOU might be able to take over leadership, but for now, education is at a critical juncture.

At a political level, the right things are said, but in terms of putting real meat on the bones about effective strategies, setting priorities, and implementation, it begins to fall apart. The donors have to be ready to carry the ball.

They seem a bit lost. They just need time. It is complicated to make sure that they keep all the pieces of the puzzles together. The issue is very generic. It is not specific to education.

To ensure that change really happens, the president put [in] a strong man as minister and another as permanent secretary. Still, it is very difficult to get implementation. In the ministry and the districts, there is no real sense of these priorities.

Health: Making the Transition to Country Leadership

The pattern of Ugandan development has changed quite dramatically in the health sector: “It started off in 1986 as an emergency aid situation rather than a development situation.” In the emergency context, it is natural for donors to take more of the lead. Assistance has moved through a post-conflict rehabilitation period and is only now shifting toward a standard development scenario. Health has been a little different from the other sectors in that the civil service is mature.

There was quite a sophisticated organization in place, which has embraced decentralization to some extent. At the same time, [with decentralization], it is that much more difficult to get things done. The policies of the Ministry of Health have changed over the past five years and the policies of donors have changed. The fashion has changed. Is that because it has been driven by donors or because Uganda has been an active participant in international forums?

Even when government has expressed the wish to take “a little bit more of the steering wheel,” it appears that no concrete moves have been made toward allowing it to take that leadership. During the emergency phase of development, the government asked donors to go into specific districts and to look at specific areas of health. The resulting donor control has continued and, thus, control of the inputs into the national program is segmented. Significant changes have occurred over the past two years. Government came out with a clear statement of its vision for the sector and invited donors and NGOs to come together to develop the future program.

Responsibility for Aid Coordination Efforts

Key Questions

- Where does the locus of responsibility for aid coordination lie in Uganda?
- Has there been a change over time with the government taking over more responsibility?
- Have there been measures taken to improve aid coordination capacity in the government?

The responsibility for aid coordination lies with the government. Participants were clear that the responsibility for aid coordination lies with the government, but in fact government is not fully in the lead or even an equal partner in all sectors; donors are still involved in strategy formulation in some areas.

It should lie with the government, but every sector has its donor coordination and working groups. The most effective ones have

strong policies emanating from the government. The GOU takes the lead in formulating policies and directing donors toward good investment plans and operating strategies.

There is no doubt in my mind that it belongs to government. It is becoming more so, but it is yet far from being a reality. The negotiating machinery is not at the point where government and donors are sitting as equal partners.

In the education sector, the government has recently taken over more responsibilities in aid coordination. In response to donor signals (“You develop the strategy, you come up with the policy, and you develop the investment plans that we can support as unified donors”), the GOU has developed an investment strategy for supporting UPE. That is for strict budget support for education, teacher training, textbooks, classroom construction, monitoring and evaluation, and joint as well as independent audits of public expenditures. The government, according to one participant, is having some trouble adapting to this shift.

Donors would like the Ministry of Finance, Planning, and Economic Development (MFPED) to take more lead in coordination. The reality of aid coordination in Uganda is “not as positive as it sounds.” As yet, there is very little coordination of donors by the government. For one thing, it is only recently that sound policies are being formulated in each sector. MFPED should take much more of the lead in coordination.

The GOU is not unified or internally coordinated. Any discussion of aid coordination, this group argued, must acknowledge that the GOU is not unified. Rather, the GOU speaks with many different voices, and the various ministries and departments sometimes lack coordination. For example, “if you ask the Ministry of Finance about decentralization, you get a very different view than if you ask the Ministry of Health or the Ministry of Local Government.” This can represent a healthy dynamism, but it also adds to the confusion. Lack of coordination among government agencies (and among donors) can also lead to more aid and duplication of effort.

The Bank has taken a limited lead in aid coordination. The regular meetings organized by the Bank are more in the nature of an information exchange than coordination of aid.

Donor attitudes need to change. Donors also need to be more willing to let go of the control they have built up over the years. Some participants felt that that attitude may be slow to change, because Uganda still has to agree to conditionalities for aid: “Sorry, you will get macroeconomic assistance from the Bank only if you do X, Y, or Z.”

Proper aid coordination needs mature donors and a very mature government. In countries like Uganda, where there is a great deal of money available, the temptation is strong for the government to play the donors against one another. Government can easily find a strategy to maximize the money it gets from donors by avoiding coordination. That has taken place in many sectors.

Donors on their part can assist the government by coordinating aid activities within the donor community. It is a tremendous task for the government to coordinate aid if donors have different opinions about how to go about it. If donors could have a dialogue among themselves on aid coordination in support of better development outcomes and could speak with one voice to government, it would ease the situation for the government tremendously.

The Ministry of Education is not happy that the donors are starting to speak with a single voice, because it is difficult now to get the means [to fund] the small things they would really like, if one donor has a strong objection and can convince others that something should not be funded. Ideally, [when] we ... see a government with good policies supported by a good investment program, donors should not just [be] there to put their flag on the program, but [be] ready to agree on either merging their support into budget support with less visibility or just agree to share the sector. But that is a long process and it requires a lot of

maturity. Perhaps it would help the overall funding, if [donor] resources become scarce, which is not yet the case in Uganda. Then one will want to fund priority programs and not just spend money.

Donor coordination needs to cut across all sectors. Donors have organized themselves into various groups by sector. But there are some groups—for example, the private sector group—whose concerns cut across other sectors. One participant volunteered that almost everything that happens in agriculture, for example, is a function of private sector involvement (farmers, traders, exporters, and the like). The question was raised as to whether the private sector group and other sector groups communicate well enough with one another.

I'm not sure that we're all talking enough together.

Effect of the Move of the Consultative Group to Kampala

Key Question

- What effects have been realized or are anticipated from the move of the last CG to Kampala?

Holding the CG in Kampala was a positive move. For many reasons, moving the CG meeting to Kampala was an excellent move. Having the CG meeting in Kampala “forced people [on both sides, the government and donor] to make a practical statement on work.” Moreover, more Ugandans were made aware of the dialogue between donors and government. Even though daily meetings were closed, much information emerged from the working meetings, and media coverage was heavy.

Four positive aspects of the meeting in Kampala stand out for these donor sector specialists. First, the CG meeting “was almost real life theater.” Current events related to corruption and defense spending, which might not have attracted nearly the same amount of attention if the meeting had been held in a distant city, had a great impact on the discussions. “It was also good that the president was . . . present to hear these weak points, for example, of corruption.” Thus the ef-

fects of immediacy were positive. Second, the satellite meetings outside of the core CG (on health, education, and agriculture) allowed the participation of many people who could not have been involved in Paris. Nongovernmental participants, for example, could participate in the core meetings. Third, the dialogue focused on substantive issues, with donors committing funding, almost as an afterthought: “It was a secondary thing. It was not highlighted, which is the right way around.” Finally, the consultations preceding the CG were very satisfying to donors—they led to agreement on which donors would make specific presentations at the meetings and to the tabling of the background documents (one participant mentioned the “very startling document” on corruption contributed by the Bank) that were to be submitted to the CG.

If the meeting had been in Paris, the corruption scandal that occurred two days before would not have burned itself on the minds of the delegates to the same degree that it did in Kampala.

The Kampala location may have inhibited criticism. The major disadvantage to holding the CG in the host country was the donor tendency to be more polite and less critical. Because the head of state presided over the CG, that “put a lid on” strong expressions of opinion. However, it was positive that the president was present to hear about the weaknesses of Ugandan development (however politely these concerns were expressed). Some thought that, next time, the head of state should be involved in the CG opening but absent from the working sessions so that participants could feel less inhibited about criticism. One participant thought that the criticism was open enough.

I had never attended a CG before this one, and I have not been to Paris. I participated fully in this for the first time. If what I saw at the main [session] to the CG meetings was polite, I wish I am never in Paris!

The Bank did not speak out on sensitive issues. Donor sector specialists were surprised and dis-

appointed that some donor organizations, particularly the Bank and the International Monetary Fund (IMF), did not speak out on the main topics of corruption, military spending, and involvement in the internal affairs of the Congo. Other donors addressed these issues “very strongly.”

That was very serious. I want to stress here that the Bank and IMF did not speak out on the main subjects, and if the Bank chairs the meeting, it makes it much more difficult. That has been one of the weakest points in the CGs.

Donors would like to see a serious response to CG issues. These respondents felt that donors had presented many good papers on critical issues that could serve as the basis for negotiation, dialogue, and conditionality over the next year. Whether the statements will be taken seriously remains to be seen: “The whole meeting ended up as a big lovefest, Uganda got \$2.2 billion out of the donors, and everyone went home.” Donor sector specialists want the thorny issues dealt with in a more straightforward manner: “Who will take on the agenda and hammer away at it?”

Including a pledging session in the CG agenda undercut donors’ substantive positions. For a country like Uganda, which is universally acknowledged to be “the good pupil of the development class,” the absence of a link between donors’ substantive criticisms and donor aid commitments made for a very “ambiguous scenario.” In spite of the criticism, the assumption was that the agenda for the pledging session was fixed: donors would fill the gap between the anticipated costs of development and the GOU’s fiscal resources. That weakened the various critical positions taken throughout the meeting. Like the donor heads of mission, this group found somewhat troublesome the inclusion of criticism and pledging on the same agenda.

It would be difficult, particularly for the Bank and IMF, to come out very strongly against corruption and defense expenditure if they know that they want to finance the gap and that other donors have already committed. In a way, the whole scenario of the CG, for coun-

tries like Uganda, is not really appropriate. Forget about pledging sessions and discuss a few problems that are of concern to most donors. The linkage is not yet on the agenda.

Money is committed and there are not many [donor] capitals ready to make a martyr of Uganda.

Donors are apprehensive about a possible Kenyan scenario. While participants acknowledged that it “was hard to argue with success” (even if the measure of Ugandan success is exaggerated because all indicators were at rock bottom during the base year, 1986), all agreed that they needed to come together to deliver a common message about avoiding the situation in Kenya.

We are trying to do that with the message of the CG—to really warn government seriously.

Reaction to the Bank’s role as CG chair was mixed. While some participants thought that it was entirely appropriate for the Bank to chair the CG, others recognized that the role of chair constrains the Bank from being as critical of the GOU as it might otherwise be. Yet another participant felt that the apparent closeness of the Bank and the GOU sent the wrong message.

When you signed, there was the Minister of Finance sitting next to Jim Adams. It almost looked like, if one was a cynic . . . you could have a cartoon with this.

Strengths and Weaknesses of the Bank’s Aid Coordination Efforts

Key Question

- What is your assessment of the Bank’s performance in country-level aid coordination efforts?

The Bank has scored some successes. The Bank has helped Uganda develop a national vision and broad policy directions that are among the most progressive in the region. Through macroeconomic reform and structural adjustment, the Bank has promoted a sound economy and government in Uganda. It has also helped build up

a strong MFPED and a team that is open to change. The Bank has also scored some sectoral successes such as helping to improve water supply and sewerage, craft an acceptable framework for building national health policy, and promote good agricultural research.

The Bank's strength lies at the policy level. The Bank does good analytical work at the sector level. Donors have often prevailed on the Bank to use its good image and clout to bring up critical sectoral issues with the GOU.

The Bank does have a wonderful, positive thing, that because the Bank has the great image, if you can get the Bank reps on their visits to bring up the critical issues that are confounding some of the sectors, sometimes it's very positive. There is some clout there.

The Bank relies overly on missions from Washington to compensate for its uneven sectoral competence. As one respondent put it, "The Bank comes in with the great technicians, the great economist. But when push comes to shove on the implementation side, the one-week visits every six months and memo outlining the work plan, it does not cut it." Donors find this style intimidating—as does government, they say—and have united to let the Bank know that this approach is not productive.

Weak field office mandates and poor communications with headquarters damage Bank credibility. Coordination suffers when the Bank's sector representative in the field has no mandate to speak for the Bank, and the situation is exacerbated by poor communication of joint donor positions back to headquarters.

Either you send people, particularly when you organize donor coordination, either you send people to donor meetings and they have a mandate, at least they report back to Washington, or you don't send anyone. Otherwise you create a lot of confusion.

You create confusion when everyone around the table says, "Yes," then three weeks later the

mission comes and says, "No, those people do not have a mandate to represent the Bank." What are they doing here then? We had quite a difficult meeting. Most of the difficulties were overcome, but from a coordination point of view, it was quite worrisome.

Enclaving handicaps implementation. The Bank "has a habit," which some donor sector specialists questioned, of developing quasi-independent PIUs within ministries or parastatals to implement activities. Instead of aiding implementation, the introduction of the PIUs causes a schism between regular government employees and PIU staff because of the completely different payroll structure with which PIUs function. Enclaving creates a shadow government in critical areas. These concerns also apply to parastatals. After two or three years, implementation by the PIU drags because the salary differential acts as a disincentive to project completion—the enclave staff want to preserve their jobs.

Is that a good policy? Meanwhile, they say we should not increase the pay for our civil servants. There is always this need to build something from scratch. They pay five times as high to the "best people," then afterward they say NEMA (the National Environmental Management Authority) is a very good project.

Bank officials would justify that by saying that authorities [PIUs and parastatals] give a certain level of accountability back to the Bank for disbursement of funds. They need good people, so they have to pay them.

According to donor sector specialists, enclaving is partly dictated by the political agenda behind enclaving and privatization. Donors believe that the Bank policy agenda is aligned to that of the United States: the Bank and USAID favor privatization, and enclaving is an incipient form of privatization.

The economists tend to lean more toward a privatization approach than a social development approach.

The Bank should try harder to build consensus and coordinate activities. Poor coordination reduces or delays benefits. After the National Resistance Movement took over the government, following the emergency, UNDP-funded rehabilitation projects. According to a donor that implemented a small-scale software project that the Bank cofinanced with significant resources to build facilities, it took two years before the Bank was on the ground. If the donor had waited to implement its own component, Uganda would have lost the UNDP money.

We trained the people, but there was no place for them to practice. It would be helpful if the local Bank office had the capacity to commit funds to get the project going. Even if the project is not approved, the local office should be willing to write over that, so other donors will not be left in the lurch.

The Bank is taking on too many roles. Government tends to listen to the Bank and IMF more than to other donors because they are the largest donors to government. This practice has complicated aid coordination because, over time, the Bank has tended to assume roles that the Bank has not hitherto had. In economic management, the Bank already shares some responsibilities with IMF. More recently, the Bank's mandate has shifted toward capacity building. The Bank has also increased its interest in social sector work such as poverty, education, and health. The Bank (and IMF) should move away from capacity building (which can be handled by other donors, including UNDP), because donor resources for capacity building are closer to the ground in Uganda and they know their national counterparts. Donor sector specialists thought that a need exists to reexamine the mandate of the Bank and what it can do in sectors such as education and health to achieve a more holistic approach to development. One participant, however, defended the Bank's activities in the social sectors:

The counterargument given to the Bank has been "That's what you did in the 1970s. You funded the macroeconomic stuff. What hap-

pened to health and education?" They [the Bank] got shafted.

The Bank should be a lender of last resort. Participants indicated that the Bank's haste in wrapping up loan agreements with the government (without informing other donors) is the result in part of the fact that it makes loans, not grants. Donors would prefer to see a dialogue in which the Bank, as donor coordinator, would present a sector program with a particular price tag, then ask whether donors (some with grant aid) are prepared to contribute. Then, if there is a gap, the Bank would finance it.

I have never seen really a dialogue where, as a donor coordinator, the Bank could say, "There is a sector program here. The total bill is that much. We would like first to see donors which have grant money to come and see what can be financed and, if there is a gap, we will finance it." It doesn't happen like that. It happens where the Bank comes in with \$150 million for education in three years, it is signed, but it had to be negotiated very quickly, so we [the Bank] couldn't inform you [the donors] completely. Next time we will try to associate you more closely to what we intend to do in the sector. For me this was quite a bad experience in the education sector.

The Bank requires less accountability compared with other donors. Does the Bank have control over its funding? The answer, this group said, is very close to "a straightforward no." Their perception is that the Bank does not put much effort into monitoring how its funds are used and that it looks to government for accountability.

The attitude is, "It is not our money. We make the government responsible; they borrowed the money and they have to repay it." Out of that, accountancy is done, but I don't think projects are followed. Had it been the case... [the fiasco with the valley dams would not have happened] ... \$3 million down the drain!

Donor sector specialists said they cannot imagine any other donors taking a similar stance: "Only the

Bank can do that.” Lack of accountability, they said, is a “very weak point” in the Bank. In the context of the Bank’s role as the biggest donor, this lack of emphasis on accountability combined with the Bank’s lack of communication about plans and disinclination to speak out about corruption at the CG encourages lax procedures and lack of control of funds; it also indirectly contributes to some of the attitudes of government officials.

The Bank’s procurement and disbursement practices can facilitate corruption. One participant suggested that the Bank’s procurement and disbursement system not only contributes directly to corruption in the Ministry of Health but also encourages corruption through implementation delays. The same problem exists in education.

Even if you were lily white before you started, you’d be stupid to ignore it.

There’s an incentive to the individual civil servant to delay things until they get what they want. Because of that, and the massive delays and the massive failures of procurement of commodities for health in Uganda, it has significantly undermined [projects] and cost both the GOU and other donors money.

The Bank sometimes overfunds. This group speculated that the Bank tends to provide more money than necessary, at least in some cases. That, in turn, makes recipients looser about spending the money and presents problems for other donors, who would like to be more realistic in detailed project planning.

A disbursement culture still prevails in the Bank. The Bank is there to disburse: “It is not interested in making a deep sector analysis unless it comes with a credit.” Donor sector specialists wondered whether Bank staff are rewarded institutionally (for example, promotions and higher salaries) if they make larger disbursements.

At the start of a five-year project, you can always map out what will happen. The first year, it is very slow because of fancy economic ideas. Then people start sweating a bit. You get

to the midterm review and find there’s all that money left that’s not disbursed, [so] it changes [from] a software project to a building project. It happens every time.

That is a bit more dangerous [in agriculture], because in your cotton project, the only way to use the money is to supply chemicals. Chemicals, chemicals, chemicals! [Where is] the environmental policy?

The Bank’s performance varies across sectors. While the Bank’s performance in aid coordination varies across sectors, it appears to be relatively weak in all the three sectors that were discussed by these donor sector specialists.

Agriculture

In terms of agriculture, the Danish play the coordinating role: “We turned down the Bank.” Donor subgroups formed partly because the Bank tended to ignore other donors and “coordination” increasingly became a dialogue between the Bank and Uganda, while the other donors “picked up the scraps off the table.”

The donor subgroup creates a much stronger voice to trample the Bank back into line and say, “No, you’re part of the donor group here; you need to talk with us as well. We do not just get the bits of leftovers. We need to act as one unit.”

This arrangement has worked relatively successfully, only because, in late 1996, the Bank was “shot down by Parliament on a large project [the Agriculture Sector Management Project] and came into line.” That was the starting point for the dialogue between the Bank and other donors (who also had concerns about that particular agricultural project).

Other donors have been accused of torpedoing the project, because we were critical.

Education

The Bank and USAID were the primary donors to education in the early 1990s, and coordination be-

tween them was excellent. However, the implementation of Bank components of cofinanced programs seems to fall far short of the implementation record of bilateral donors; it is this discrepancy that underlies all problems with cofinancing. The source of this discrepancy lies perhaps in differences in supervision: bilateral donors often have staff in-country, whereas the Bank comes in once every six months with missions. Moreover, the Bank expects other donors to follow their mission aide-mémoire: “You’re working under two different scenarios sometimes.”

Donors involved in education thought that the Bank focused more on financing than on technical issues or quality, because it seems to exercise less control over how its funding is used than other donors. For example, in a cofinanced project in which the Bank planned to fund construction and a bilateral donor funded software projects, training, and policy reform, the Bank component fell behind because of cumbersome procurement activities.

If you divide the country into different districts and have your plans for these software projects for one, two, three, or four years, the software part is easy to implement. The hardware part, which the Bank was funding, fell behind immediately.

Bringing the Bank on board in the education sector has recently proved to be difficult because of a lack of communication between the resident mission and headquarters. Donors held regular meetings with the officer in charge in Kampala, taking it for granted that Washington was kept aware of the central elements of the donor discussions. Instead, the mission arrived in Kampala with proposals that completely ignored earlier donor commitments and positions. The donor sector specialists described this as a “major institutional deficiency.” Particularly with donor coordination, “either you send people to donor meetings and they have a mandate or at least report back to Washington, or you do not send anyone.” Otherwise, confusion abounds and relationships become strained.

What actually happened in education, according to donor sector specialists, is that the Bank

came in with \$150 million for three years, the agreement was signed, and other donors were left out of the process. The Bank claimed that it had to proceed quickly and did not have time to inform donors completely. This was a “bad experience” for donor sector specialists in the education sector. Notwithstanding promises that next time the Bank would try to associate donors more closely with their intentions in the sector, the incident led to difficult meetings and resentment.

You are coming here to tell us that you are spending \$150 million on a sector that has no financing plans? How do you know that we need that money? The Bank says, “Yes, but it is an emergency. There is a backlog on the table and we need to clear that. It is part of our conditionality for the sector, but do not worry, next time the problem will be solved.”

Health

In health, the Bank is an “outsider” compared to the other donors, who are more coordinated. Donor sector specialists thought that this may be because Bank decisions on health are made in Washington, not in Uganda; for the other donors, “the major decisions for health are at least taken in the region, if not in the country.”

It’s [a Bank] Washington-Ministry of Health access, and then us donors [with the] Ministry of Health.

According to the group, the Bank’s practice of decisionmaking in Washington and relying on large missions of short duration is one of the most significant weaknesses of the Bank.

Decisions are made in Washington even before going out to the field. Two-week or ten-day massive missions with 20 or 30 people roaming around the country and maybe meeting with other donors, but not always. That’s a very worrisome situation because there is no dialogue.

The Bank’s distance and relative isolation from other donors lead to the problem that donor

sector specialists identified earlier: the GOU sees an advantage in keeping the donors split. This occurs in health when donors reject what they consider a poor idea suggested by the Ministry of Health: the ministry approaches the Bank in Washington. This “Washington hotline access” stems in part from the fact that the Bank has always been by far the largest player financially, so it naturally feels that it can talk directly to the GOU without coordinating with other donors. As donors have banded together and have developed more of a unified voice, their clout has increased in comparison to the Bank’s.

Sector Coordination Activities

Effectiveness of Sector Coordination and Sectoral Donor Meetings

Key Questions

- Briefly describe the sectoral donor meetings you attend. Who chairs?
- How long have they been in effect?
- What are the main strengths and weaknesses of your group’s activities?

Sectoral donor meetings are very useful. The sectoral donor meetings are very useful, especially when representatives of the major donors happen to be in Uganda. Meetings in the field between sector meetings also have high impact. Respondents were asked to write down privately the donor aid coordination activities that they believe have high

impact or low impact on sector development. Their answers are shown in table 13.1 and are explored by sector in the discussion below.

Agriculture

The Danish Embassy chairs the donor sector specialist meeting on agriculture. The group started just over a year ago. Two factors triggered the group meetings: problems of understanding with the Bank, which was leading initiatives that most donors did not agree with or appreciate, and initiatives of the Ministry of Agriculture, with which donors also disagreed. Donors decided to get together to assist the sector, the Ministry of Agriculture, the Bank, and MFPED to move forward.

To give the Bank their due, there was also no real coordination among any bilateral donors. Donors did not know what other donors were doing. We had to get together to share information, so that we had a common understanding of where everyone was going.

Education

For five years, the education sector had a working group focusing on primary education reform that met every three weeks, chaired by the Permanent Secretary of Education. When other donors became involved in the UPE initiative, a donor working group began meeting once a month. Those two groups have now merged and

Table 13.1 Impact of Aid Coordination Activities

High	Low
Sector meetings between meetings of donor heads of mission	Bank-led meeting of mission heads
Long overlapping tenure (although quite accidental) of sector specialists representing main donors in Uganda	Diversity of funding routes
Sector subgroup on health	CG meetings
Joint United Nations Programme on HIV/AIDS	Lack of private sector and government coordination
Economic management meetings	
Meetings in field	
Monthly interagency meetings of mission heads at Kampala	

Source: Focus group data.

will meet once a month, under the chairmanship of the Permanent Secretary. Donors also meet often among themselves to try to improve aid coordination, especially in relationship to the investment plan developed by the government.

Health

Health is part of a social sector subgroup cochaired by the United Nations Children's Fund and USAID, which reports back to the donor heads meeting chaired by the Bank. Last year, because of the joint planning and policy development exercise, a technical group on health, coordinated by WHO, has also been meeting. These and other social sector meetings worked very well until about a year and a half ago, exposing common issues. Since then, technical working groups were formed by the government to look at specific problems relating to decentralization, accounting, user fees, and common development objectives. Donor sector specialists hope that the next step will be to jointly fund common activities. The social sector meetings have been in place for several years, the technical working groups for one year.

Private Sector

The private sector donor meeting has been chaired by USAID.

Government Participation in Sectoral Group Meetings

Key Questions

- To what extent does the government participate in the group meetings?
- How effective is this participation?
- To what extent are there government-led meetings with donors in your sector?
- How do participants rate the government's performance in overall aid coordination?

Donors value separate meetings. For the most part, the donors meet separately, then with government. They use these meetings to learn more about one another's activities and issues before moving to the more formal meeting with the GOU.

I think it's very useful to have a forum where the donors can sit together and talk about these issues and not be required to have formal participation from Ugandans. That's not to say that we shouldn't involve the Ugandans in certain forums and topics. I think we can look for leadership from them and should increasingly look for that, but I value the opportunity to be able to sit with donors in the meetings ... because it is important in terms of getting our own thinking coordinated in how we present issues to the government.

In my opinion, there is a need for donors to be able to talk face to face, quietly, and try somehow to sort out our internal problems without the government sitting on board and maybe giving them ammunition to exploit that at a later stage.

The donors specifically set up the subgroup on the *agricultural sector* to discuss issues among donors rather than for direct interaction with government. Thus, government does not attend this subgroup. The group's rationale was to try to understand each donor's position, then use that understanding as a point of dialogue with government. It might be useful to set up similar subgroups for environment, natural resources, and forestry.

On the other hand, it doesn't happen so far in the agriculture sector that government initiates an exchange with donors, and hopefully this could happen maybe over the next year.

In the *social sector*, a donor's meeting feeds into a meeting (similar to the one in education) called by the ministry specifically for policy development.

The *health sector* operates similarly, with a separate donor meeting that feeds into a joint meeting, which government chairs. Donors meet to reduce their differences and arrive at a plan; they then discuss the plan with the GOU.

The *private sector* donor subgroup does have government participation, but it depends on the agenda. It provides an opportunity to hear a presentation of new policies by the GOU or by any agency with a plan, to determine whether

these policies or plans can withstand the test of private sector commitment. The arrangement works well, although at this stage the output is not a joint program with components funded by various donors.

Some participants in this private sector subgroup interested in specific aspects of private sector development, microfinancing, for example, will meet separately and informally on specific issues.

We know if we want to discuss commercial law reform, we know two or three donors have specific interest and we will meet together; the same for microfinance.

The donor meeting on *decentralization* is chaired by the Irish, but there is also a good group, chaired by the Ministry of Local Government, on decentralization.

Examples of Joint Government-Donor Initiatives

Joint initiatives exist, but integrated sectoral programs are still rare. Joint donor–GOU initiatives have emerged in various sectors over the past two years and have moved toward sectorwide approaches. The process takes time but is working.

Agriculture

The Ministry of Agriculture developed sector development plans but in virtual isolation from the donors. That resulted in an “incredibly weak” sector development plan, which neither the donors nor MFPED could support. The donors and the ministry then became involved, and Danish International Development Assistance and DFID are funding a project over 18 months, trying to help the ministry and the GOU to transform the initial sector development plan into a better document.

Education

An improved education sector investment program, which is still “quite weak” as a document, has resulted from 18 months of work between donors and government. The program was largely

initiated by donors (60 percent by donors and 40 percent by government). Virtually all the donors support the program, which is “quite open in terms of modalities of support.” It represents more of a sectorwide approach than a sector investment program, but it still has to demonstrate effectiveness. However, a common framework exists, at least on paper, for donors and government to work together.

Health

In the health sector, a draft policy document was developed jointly by government and donors. It took a year to reach consensus on the details. Donors are looking at the resource envelope and will move from that to developing a strategic plan that will serve as a foundation for the investment plan. This initiative, a joint development of government and the donor working group, was the result of a fortuitous coincidence of ideas. The ministry addressed the donors’ meeting and invited the donors to work on a draft that government had already initiated. That same month, the donors had held a meeting at the Danish Embassy and discussed the need “to talk in the same voice.” These two initiatives came together in the form of a technical working group that reports to the main donors’ meeting every month and meets with the government every six weeks or so. The process has been tedious, but it has been working.

Decentralization

The local government initiative is a joint government-donor effort. The Ministry of Local Government is trying to coordinate the efforts of several donors and those of the local government in each of the districts. The ministry’s effort, which started about nine months ago, aims to bring about intrasectoral integration.

Poverty Action Plan

The Poverty Action Plan cuts across all sectors. When government announced what its priorities were for poverty eradication, it was primarily the Bank and UNDP that gave it technical

support. The plan was a long time incubating, because this is “the framework for the entire national development plan.” A new modality of co-operation, involving government and donors with various sectoral interests, led to the Poverty Action Plan. It also established an environment within sectors that allowed donors to recognize the feasibility of working more closely with government.

Integration into the National Budget

The new budget process is transparent: the latest exercise started in October 1998, several months before the budget was due to be presented to Parliament in July 1999, with donors receiving copies of documents and participating in sectoral group discussions with MFPED and other interested parties. Those discussions will feed into the finalized July budget. This is the first operational year since the new system started. Donor sector specialists said that a “serious effort” has gone into giving a financial perspective to sector investment programs. This year the investment programs should be fully integrated into the budget framework exercise. The mechanism for developing the national budget framework does not permit significant development inputs outside of the framework, particularly for local government and local funds.

Involvement of Stakeholders

Involvement of local stakeholders is increasing but should be deeper and broader: While the government is intensifying efforts to involve stakeholders in planning and decisionmaking, the experience varies by sector.

Agriculture

There is a major effort, especially from the donor side, to have government realize that the private sector (which is almost all of agriculture) should be present in budget discussions and participate. The working committees have private sector participation from agencies such as the Uganda Investment Authority and the Farmer's Organization.

Decentralization

With decentralization, funding will be “directed to the people,” not only for delivery of programs but also for participation in the decisionmaking and planning process: “These are the real representatives, the real stakeholders.” One person thought this was the most positive outcome of decentralization.

Health

Government recognition of the role in service delivery, outside drug procurement and manufacturing, of such private not-for-profit NGOs as the missions, churches, and religious organizations has been slow. That role was recognized for the first time last year, following an informal meeting between government, donors, and NGO service providers, when government allocated half the conditional grant earmarked for health to NGOs in recognition of the fact that they were delivering almost half of the country's health services. This year the amount is to be increased. The partnership is being translated into a more tangible collaboration, but it has a long way to go. The situation is quite different for the private-for-profit sector in health, according to donor sector specialists. Donors are fairly influential in promoting their political agendas with regard to the private sector in health, and the Ministry of Health is quite aware that individual donors tend to fund the consultants who promote the donor's specific philosophy.

It is interesting to watch the Ministry of Health selecting whoever funds consultants in this area, depending on what result they want.

Private Sector

One of the most significant developments is the recognition of the role of the private sector, not only in health but also in agriculture.

There is an initiative of beginning to involve the members of the private sector [in the agricultural sector]. There seems still to be a

problem of listening to their point of view. This government seems to take its time. [Because] in some areas [of agriculture], profits are not forthcoming—and in the private sector, profit is number one, perhaps this government could be encouraged a bit more, with the support of donors, to listen more to private sector members. This is especially important in light of the current situation in which [infrastructure and other elements] are still too difficult for the private sector. The beginning is always difficult.

Reasons for Progress

Key Question

- To what do participants attribute progress achieved in donor coordination?

A common agenda, mutual commitment, and dialogue will help achieve progress. These respondents attribute progress to “a strong personal element” in relationships that foster donor coordination. A common agenda and mutual commitment to coordinate with other donors also move programs forward. Geography can hinder or help program initiatives: “It is easier to talk to people and reach that kind of consensus if you are in the same country or in the same room.” The most important development over the past two years has been the improvement in formal dialogue at the head office level of both the bilaterals and the multilateral agencies. This improvement in turn has encouraged country offices to be more adventurous about adapting headquarters policies.

I was pleasantly surprised, over the last two years. It was as if someone had just opened something . . . the will to coordinate and be coordinated in the health sector rather than the rhetoric, [became] realities. I don't know what the trigger was, but it's obvious that the will is there. We are now looking for the way.

Political pressure, good governance, transparency in the use of funds, and implementation capacity concern donor sector specialists.

Special Issues

Impacts of Decentralization on Aid Coordination

Key Questions

- What has been the effect of government decentralization on donor activity and coordination?
- How would you describe the effectiveness of donors intensively targeting particular districts?

Some donors believe decentralization is an alternative approach to development. Decentralization has some strong advocates. A common view is that the centralized approach to development has failed—decentralization presents an alternative. Others strongly support the policy because it offers people at the district level, the poor, an opportunity to participate in their own development, to have a say in putting together a new life, to apply an intrasectoral approach, to contribute resources to secure tangible results through projects. Others feel that decentralization is a means of mobilizing the whole country to develop in a balanced manner.

Through the decentralized system, through a system where several activities come together—that is this intrasectoral activity—the villagers are all participating very much. . . . Half the resources being put together to get the school building are being put forward by local people, and that is tremendous at the moment.

Weak administrations at the local level pose a problem. “Very weak administrations” pose major obstacles to decentralization. Before a competent administration is in place, with the capacity and competence to handle projects, what should donors do?

If we start to place projects in the districts and they are not successful, it will be very bad press for us. If we wait, we will not know what is going on in the field. We are in a dilemma.

Building capacity in the districts will take time. It is an enormous task to train people at the local level to handle large amounts of money and re-

lated activities. Again, donors must take the lead in this aspect of decentralization and development—perhaps for five years to come. The issue is, should donors build capacity before decentralizing their aid?

Training must be accompanied by better incentives at the district level. Some donors hold that capacity cannot be created overnight and that capacity building is a major challenge that large donors like the Bank should address. Others believe that capacity can be created faster in the districts if better remuneration is offered to attract capacity from the center (especially to districts far from Kampala) and to retain it at the local level. Yet others suggest that effective decentralization of the budget would have the automatic effect of attracting and building local capacity. The districts themselves are not fearful about poor administrative capacity; the problem is not capacity, they say, but the center's unwillingness to transfer the money.

The center's view is that the districts do not have the capacity to handle funds. If you actually ask the districts, they disagree: "We have the capacity. They won't give us the money."

Decentralization slows implementation. Slow implementation is an unavoidable problem with decentralization. Poor capacity is to blame in a number of districts.

They're all weak, and it is slowing down a number of implementations which could have been or were faster and more efficient before [under centralized government].

It would be very helpful if donors would just accept that they will not be able to disburse their funds as quickly as they were accustomed to before decentralization, because as one donor representative put it, decentralization is "the right way forward in the long term."

The government's District Development Program (DDP) has some donor converts. Targeting districts under DDP has been part of government's decentralization policy for the past

two to three years. Government has been trying to persuade donors to make an "all-out" effort in selected districts. However, only a few donors have responded to government's invitation, particularly because not all donors are certain that decentralization works. Some donors are still engaged in an internal debate on the merits of district targeting. Where donors have come out essentially depends on their answers to the question, "Do you believe in decentralization?" As one donor put it, this is a "religious question."

[Donor X] has, unfortunately, not decided whether it believes in decentralization or not. We are having on-going internal debate as to where resources should be.

Decentralization under DDP leads to Balkanization. A few donors like the Netherlands have taken a district under their wing, but the disadvantage of such targeting is that other districts have no such support. Some donors feared that decentralization would lead to widening disparities among districts, particularly since the equalization grant is not yet operational.

Donors adopting district A and B is extremely dangerous. You have multispeed development and you will have different approaches. Danish International Development Assistance will have one approach, the Dutch will have another one, which means you put a stamp on districts A and B.

The criticism is that you cannot really cut the country into pieces of donor-funded increments ... you would get Little Norway and Little Denmark, and so forth!

It has perpetuated disparities between districts, because the large funding agencies that have their districts can much more comprehensively look at health within a district than many of the other smaller either bilateral- or even NGO-supported areas, and the gaps between the districts [are] in fact widening rather than closing.

Many donors are therefore putting money into the Poverty Action Fund (PAF), which creates an

avenue for budget support across districts. It is obvious that targeting deserves more discussion and more coordination among donors.

DDP does not yet have full government support. While DDP is the policy of the Ministry of Local Government, some donors questioned the extent of support DDP enjoys across government—for example, with MFPED. Line ministries too do not want donors to take on individual districts and build integrated programs in these districts, as such programs would undermine line ministry authority.

Donors need to be active both at the center and the district level. Some donor sector specialists think that the time is not yet ripe to work directly at the district level in strict adherence to the Local Government Act, because not all ministries are on board and the budget is not yet flowing to the district level.

If you work directly with the district and apply the Local Government Act in a strict sense, you would probably find yourself in complete isolation with national policy. You would have very little leverage in the actual decentralization process, because funds would not be coming.

Hence some donors think that if decentralization is to be a success, they need to work at the central level where the competencies are at the moment and to convince the center to transfer them to the districts. For donors, the dilemma at this stage is how to be active at both the central and district levels.

The dilemma at this stage is to be active at both levels, first to build the capacity of the districts so that they can eventually take their role seriously and effectively but also make sure that whatever policy is being designed at the national level is not going against the agreed decentralization principle.

How donor resources are to be channeled to the districts is a key issue of decentralization. How donor money and technical assistance (TA),

which is such a “significant element of non-tied, non-salary cash,” is channeled to the districts is a critical issue. At the moment, a large proportion of donor funds is not yet going through the routes prescribed by law; the development budget, for example, is not decentralized. Donor money is currently flowing into the districts through various channels that are not mutually consistent: both through vertical and horizontal programs at the district level and through vertical programs at the central level via the line ministries. To add to the existing complexities, donors are talking about sectoral approaches, channeling money through MFPED and the existing systems of government.

At the moment, there is a massive bodge-podge, with Bank money going one way, with donor money going in [at] a district level, a central level, through line ministries, through specially set up vertical programs.

It is the way the money flows, as much as the technical assistance. When we refer to the sectoral approach, increasingly donors are thinking about putting money through the Ministry of Finance, through the existing systems of government. Whether that works will be interesting.

Two options on resource use are under consideration. How can donors ensure a better application of available resources? As one participant put it: either individual donors can adopt specific districts or they have to figure out a system that all donors can trust, for pooling money to channel through the center to the districts to fund agreed-on products with acceptable accountability. One donor pointed to the PAF as an avenue of budget support that many donors support and that allows districts to access money from the center to promote priorities agreed upon by all partners.

Either individual donors [can go] directly to few districts or we [can have] a system that we would all trust, from the center right down to the district and back. We would have agreed that this is what we want to do and

[designate money accordingly]. These are the two options that we have to look at.

The Challenge of Conflict in Northern Uganda

Key Question

The continuing conflict in the North of Uganda and the relatively poorer level of service delivery there has been characterized as the biggest challenge for donors in Uganda.

- Do you agree, and to what extent will this challenge be met?

When donors visit the North and ask what people think about these projects, especially in areas where there have been strong wars that are still going on, they confirm that funding is not getting down to the intended beneficiaries at the lowest levels.

The North as a district is a different issue. It is not part of decentralization, though it does have to do with giving aid at the district level. Their trouble would have been exactly the same with or without decentralization policy.

I was in the North. They had real complaints about the Northern Uganda Reconstruction Project. The procurement was being decentralized too much.

Donor Exit Strategy

Donors thought that this question was premature. Fifteen years from now, this group might be able to respond: “Uganda may be getting better, but it is still desperately poor, and we must commit ourselves to the long-term effort.” Instead, these respondents are far more concerned about mounting a sustained strategy. For example, they expressed concern about whether the UPE initiative has any chance of being sustained by government resources. If GOU can take over UPE, donors can move out of the sector in the next three or four years, but that is not part of any accepted donor strategy. Donors have longer terms in mind.

Private Sector Development and Privatization

The private sector is the third development partner.¹ Most participants agreed that decentralization and privatization are the lynchpins of economic development, because GOU cannot redevelop the country by itself. The private sector, as a third development partner, is definitely a critical player. Donors want to work more closely with the private sector: “The country will be developed by the people who are working here and have the opportunity and the resources to do something.” The agriculture sector has not attracted enough private sector participation because of poor infrastructure. Donors are “making a tremendous effort” with government to solve problems in such areas as roads, water, and power.

Participants suggested that donors and government could perhaps consider interim measures (involving credit and tax policy, for example) that would help the private sector make some profit while infrastructure is being improved.

The Bank has been active in privatization but has not drawn the right lessons of experience. The Bank’s program seems to have been based purely on ideology. Driven solely by budget considerations (the need to cut expenditures), the Bank’s program emphasized speed. One participant argued for a realistic agenda and for restructuring to precede privatization “to attract investors who have a long-term view for the country.” However, another respondent cited his country’s experience to argue against restructuring.

Although the Bank has a great deal of international experience, it does not necessarily draw the right lessons from past experiences in privatization. I have seen exactly the same kind of credit targets in Ukraine and now Uganda—85 companies privatized within six months. How can it lead to good social adherence to the privatization process?

You do not privatize the whole economy in one year. Even in France or the United Kingdom, the process takes time.

There is no concept behind privatization, other than getting rid of a segment of the budget. It comes as a side effect of macroeconomic reform and cutting expenditure. To cut expenditure, you need to cut state enterprises.

The Bank comes in with a very ideological viewpoint, then the result of the implementa-

tion is totally linked with the ideology. The ideology and the implementation we see here are very bad.

Note

1. Participants initiated this part of the discussion on private sector development and privatization.

ANNEXES

ANNEX 2.1 DESIGN OF FOCUS GROUP DISCUSSIONS

Description

This activity involved (a) focus group planning, (b) on-site data collection in Kampala, and (c) analysis of the findings. Focus groups were conducted with seven constituencies in Uganda: The Government of Uganda (both core ministries and line ministries, separately); the private sector, nongovernmental organizations; donors (both head of mission and sector specialists, separately); and civil society.

Objectives

The objectives of the focus group discussions, which employed primarily open-ended questions, were to:

- Explore with several groups of stakeholders perceptions of the successes and shortfalls of Bank-assisted projects in Uganda from 1986 to date.
- Allow constituencies to suggest, from a forward looking perspective, how the Bank could have performed better.
- Provide contextual qualitative data to complement information used in the Country Assistance Evaluation (CAE) being carried out by the Operations Evaluation Department

Target Audiences

The report will give the Board an opportunity to hear the voices of the major stakeholders in Uganda and to gain a richer understanding of the country's development experience since 1986. OED can use the information to validate and enrich the perspectives of its CAE and the Uganda Country Department can use the data to inform its forthcoming Country Assistance Strategy. Information on the perceptions and awareness of the major stakeholders may be useful to Ugandan policymakers, civic leaders, civil society, nongovernmental organizations and donors in planning future courses of action. The report will also serve as a signal to Uganda stakeholders that

the Bank's Board, management, and staff will be taking their perspectives into account in making decisions on Uganda.

Schedule

Group Dimensions, an independent consulting firm led by Janet Mancini Billson, PhD, and contracted by OED, helped prepare customized interview guides (protocols), conducted all focus group interviews, transcribed tapes, and prepared a preliminary summary of the discussions. The final report was prepared by OED.

The project followed this schedule: (a) focus groups planned with the help of the resident mission: December 1998-January 1991; (b) protocols prepared January 1999; (c) focus group discussions conducted January 19–22, 1999; (d) tapes transcribed: January 25-February 15, 1999; data analysis and report preparation: February 15–March 7, 1999; (e) preliminary summary due: March 1999; (f) final draft report due in June 1999.

Anonymity

All data were gathered and reported according to prevailing standards of respondent protection and anonymity. To maintain confidentiality, this report includes agency, but not individual respondent, names. In addition, wherever possible, identifying information has been eliminated from direct quotes.

OED Participation

The OED Task Manager in charge of the Uganda CAE, Jayati Datta-Mitra, and OED staff members, William Battaille and Carlos Reyes, participated in crafting the research design, decided on the number and constituency of the groups, and developed the focus group questions for each group in collaboration with the moderator (revising them on site as necessary). The final report was prepared by Ms. Datta-Mitra in consultation with Ms. Billson.

ANNEX 2.2 FOCUS GROUP INTERVIEW GUIDE FOR UGANDA COUNTRY ASSISTANCE EVALUATION

“Thank you for agreeing to participate in this focus group discussion today. I’m Janet Mancini Billson, an independent consultant engaged by the World Bank’s Operations Evaluation Department (OED)—I’ll be your facilitator for this session.

“As your letter of invitation stated, OED is preparing a Country Assistance Evaluation (CAE) of the Bank’s assistance to Uganda since 1986. The study will cover the Bank’s policy advice, lending (both project and adjustment), technical assistance, and aid coordination. Today, after we discuss successes and shortfalls of the Bank’s assistance to Uganda since 1986 and “lessons learned,” I will ask you to identify what the country and Bank could have done better in the past and any actions they might take in the future to improve performance.

“This is one of a series of focus groups with stakeholders in the Ugandan development process. You have been invited to participate because of your experience with one or more World Bank projects or with Bank-assisted policy change in Uganda. Your input into the focus group will be invaluable not just for preparing

the CAE, but for providing feedback to the Bank’s Uganda Country Team as they put together the next Country Assistance Strategy for Uganda.

“In a group interview like this it is really important that you express yourself openly. There are no right or wrong answers. We want to know what YOU think.

“We are tape recording the session, in order to ensure accuracy in writing up our report, but when I summarize the data from your group, I will take care not to affiliate your responses with you as an individual.

“Because we are taping in order to ensure accuracy in writing up our report, I may remind you occasionally to speak up and to talk one at a time.

“Let’s start by asking you to introduce yourselves. It would be helpful if you would mention your title and organization, as well as the nature of your direct experience with Bank-funded projects in Uganda.”

Further questions were tailored to each group; they appear in the relevant constituency chapter.

Focus groups constitute a form of scientific social, policy, and public opinion research. As structured group interviews that proceed according to careful research design and attention to the principles of group dynamics, focus groups should be distinguished from “discussion groups,” “problem-solving groups,” “buzz groups,” or “brainstorming groups.” They are not designed to help a group reach consensus or to make decisions, but rather to elicit the full range of ideas, attitudes, experiences, and opinions held by a selected sample of respondents on a defined topic.

Through focused interaction on questions of interest to the client, respondents from target groups can provide a wealth of qualitative data not available from surveys alone. Participants are chosen because of background characteristics of special interest to the client and are given the opportunity in a guided interaction setting to discuss and debate issues surrounding a program, policy, service, plan, or product. Focus groups normally range from one to two hours in duration. Ideas that are generated during the discussion can be pursued by the moderator. Motivations, feelings, and values behind reactions to products can be elicited through probing, re-

stating questions, and eliciting opinion from others in the group.

Advantages of the focus group are that the client is brought closer to the target groups through observation of the session and/or through listening to tapes; participants stimulate each other in an exchange of ideas that may not emerge in individual interviews or surveys; ideas can be linked to areas of particular interest to the client for in-depth exploration.

Through focus groups we learn what characteristics are most salient to participants, the level and nature of emotional value associated with those characteristics, and how participants differ on key issues. Focus group interviews are useful for identifying how target groups think and feel about the topic under discussion. The complexity of insights generated by focus groups extends far beyond the number of people involved or the cost of conducting them.

Because of the small numbers involved, however, the *participants cannot be expected to be thoroughly representative in a statistical sense of the target populations from which they are drawn*, and findings cannot reliably be generalized beyond their number.

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