



« PARLIAMENTARIANS IN THE FIELD »
A JOINT PROJECT OF THE EUROPEAN VICE PRESIDENCY OF THE WORLD BANK
AND THE PARLIAMENTARY NETWORK ON THE WORLD BANK

REPORT ON THE MISSION TO UGANDA
(15-18TH APRIL 2002)

Preliminary Draft

The PNoWB delegation to Uganda comprised 7 MPs: 3 Europeans, 3 Africans and 1 Indian (see complete list in annex 1). The objectives of the mission, which was part of the program “Parliamentarians in the Field”, were mainly: 1/to foster a better understanding among parliamentarians of the activities of the World Bank in Uganda; 2/ to review the PRSPS process and the role played by MPs; 3/ to encourage networking, exchange of views and exchange of experience among MPs; 4/ to look at the coordination and dialogue process among donors. Out of the four days spent in the country, the first two days were dedicated to meetings with Parliament, government, NGOs and donors, the rest of the mission being spent on field visits.

Uganda has been chosen for this first mission (6-8 more missions should be conducted to other countries) because it is often considered internationally a model for African countries: it was the first to benefit from debt alleviation within the HIPC (Heavily Indebted Poor Countries) Initiative in April 1998 (completion point); it was the first developing country to put in place a Medium Term Expenditure Framework in 1992; its PRSP was presented to the Boards of the World Bank and the IMF as early as May 2000; it was the first to benefit from a Poverty Reduction Support Credit (PRSC) from the World Bank (June 2001), etc.

Because of these characteristics, this report tries to check whether it is possible to draw lessons from Uganda’s experience for other low -income countries engaged in the PRSP process. Doing so is made difficult by the fact that this is an on-going process: since Uganda is a pioneer in the PRSP process as mentioned before, many of the main innovations have not been implemented (Leadership Code, Plan for the Modernization of Agriculture, etc.) or are just being implemented (Budget Act) and therefore cannot be reviewed. In any case, it should be pointed out that it was clear to all the members of the delegation that the objective of the mission was definitely not to make an evaluation of Ugandan policies.

As this was the first mission of the program, it suffered from various “teething problems”: the absence of meetings with line ministries was regretted; some MPs felt that too much time was devoted to discussing budget issues; the author of this report also feels there was sometimes a lack of focus on the main issues, which was partly due to a lack of leadership during the meetings, etc. In spite of these problems, which should be corrected during subsequent missions, it is felt that the above mentioned objectives have been broadly met.

This report contains three parts:

- the first part reviews the PRSP, its successes and limitations, as they were presented to the delegation;
- the second part describes the participatory process conducted for decision-making, focussing on the involvement of Parliament;
- the third and final part presents the donors’ coordination and dialogue process in Uganda, as well as the World Bank activities.

1. The Poverty Eradication Action Plan (PEAP/PRSP)

Uganda formulated its first poverty reduction strategy in 1997. The Poverty Eradication Action Plan (PEAP) was revised in 2000 and its summary served as the Poverty Reduction Strategy Paper (PRSP) that was presented to the Boards of the Bank and the Fund in May 2000. It is established on four major pillars: creating a framework for economic growth and transformation; ensuring good governance and security; directly increasing the ability of the poor to raise their incomes; directly increasing the quality of life of the poor.

The delegation was briefed by the ministry of Finance on the successes attained along these four pillars, as well as on the remaining challenges and difficulties.

Uganda's economic performance in the past decade has been impressive. The average real rate of GDP growth has been 6.4 %/year since 1991/92, resulting in an annual 3.3 percent increase in real GDP per capita. The PEAP forecasts a 7 % growth rate of GDP for each of the next three years.

Thanks to rapid economic growth, the living standards of Uganda's poor have also substantially increased: since 1992, the incidence of extreme poverty (based on headcount index) has declined by 38 %. Despite the considerable reduction of the proportion of people living in abject poverty, 35% of the population were still living below the poverty line in 2001 according to preliminary figures (against 56% in 1992 and 44% in 1997)¹.

Key education and health indicators have also improved in the last decade:

- **Universal Primary Education (UPE) was launched in 1997;** as a consequence, the number of pupils attending primary school has increased from 2.5 to 6.5 million;
- **Uganda is one of the few countries that has actually managed to control the AIDS epidemics successfully,** and to bring down prevalence rates; these have fallen considerably during the last decade; they are currently estimated at 6.1 percent of the total population.

Although monetary poverty has decreased, some social indicators have worsened and are among the worst in Sub-Saharan Africa: life expectancy has decreased to 40 years; infant mortality has increased to 88 per 1,000 live births in 2000 (from 81 in 1997). These statistics raise the question of the quality of basic services, while up until now the focus has mainly been on the amount of expenses.

After several decades of massacres and civil war, the human rights situation has greatly improved. But the displaced population is still estimated at 600 000 and insecurity affects many people who are not actually displaced in the Northern part of Uganda. According to the PEAP/PRSP, armed conflict has been a decisive factor in the impoverishment of the North and the East. So the resolution of conflicts is a necessary part of poverty-eradication. The MPs also asked questions about the Ugandan military intervention in the RDC, which diverts money from development and poverty reduction.

The delegation was impressed by the above mentioned economic and social successes. But the economic performances should be replaced in a longer historical perspective. As the delegation was reminded, the GDP/capita is only coming back at the beginning of the XXIst century to its level reached at the beginning of the 70's. **The main question raised by the MPs on this subject was whether these policies should be qualified as "development" or rather as "welfare" policies.**

¹ The poverty line is defined according to calorie requirements. As it is a nationally defined poverty line, it makes international comparisons impossible.

• **Technically speaking, this question refers to the potential need to put more emphasis on the pillar 3 of the PEAP/PRSP (“increasing the incomes of the poor”) and not only on pillar 4 (“increasing the quality of life of the poor”).** The World Bank Country Programme Manager confirmed that this question was being debated. The IMF representative expressed the feeling that more emphasis should be put on economic growth.

According to the latest PRSP Progress Report (April 2002), which was distributed to the delegation, the Plan for the Modernization of Agriculture (PMA), which was launched in September 2000, is the main instrument of this pillar. This is because the Ugandan population is mainly rural and the poor rely mainly on agriculture and related activities.

But the PMA has yet to reach the implementation stage and the Progress report considers the need to advance work on the PMA as a matter of urgency. In spite of the abundance of fertile lands, the productivity of the agriculture is estimated to be very low, much lower for example than in neighbouring Kenya. Market access is also considered as a main obstacle to agricultural development. It was noticed by the delegation that the share of agriculture in the budget was very low (1.5 % of total expenditure). Apart from the obvious reason that the PMA has not been implemented yet, the ministry of Finance (which is responsible for the PMA) pointed to the fact that many other expenditures, such as investments in road infrastructures, directly benefit agriculture.

• **This question on the nature of current poverty reduction policies is related to a wider interrogation, concerning the sustainability of these policies, which will determine their eventual success (“eradicating” poverty) in the long term:**

- for example, investing in education has a long term impact on “human capital”; in the short term, however, there is a real risk of disrupting agricultural production; moreover, what will happen to educated people who won’t want to go back to agriculture, without having any perspective of employment in another productive sector? Why is not there more vocational training?
- the delegation also expressed concern about the very rapid population growth, which is estimated at 3% per annum; as the fertility rate is the highest in Eastern and Southern Africa, there is no doubt that current demographic trends are unsustainable in the long term, and that family planning is an urgent priority;
- the question of sustainability is also a financial one: can these policies still be financed if the huge amount (relative to the size of the economy) of international aid is reduced? As noted by the 2001 Joint Staff Assessment of the PRSP Progress Report (March 2001), a further diversification of the economic structure is an imperative to reduce the vulnerability to commodity price shocks, but also to increase the external receipts.

The issue of corruption was also discussed at length. Transparency International index of corruption, which is based on businessmen’s perception, ranks Uganda as the third most corrupt country in the world in 2001. The “Leadership Code”, which was adopted in 1992, is currently being debated in Parliament. It imposes top officials and political leaders to declare their wealth on their appointment and when they leave their position. The reform of public procurement, of public service and pay, are among measures to be put in place which aim at improving governance and reducing corruption. Decentralization (over one third of total public expenditure is made through local authorities, which is the largest share in Africa) can also improve transparency in the use of public funds and reduce corruption. According to some evaluations, the proportion of funding to education (allocated through the district councils) actually reaching school recipients rose from 30% in 1997 to 90% thanks to better transparency and improved control.

2. Participation and the role of Parliament

One of the main objectives of the mission was to encourage exchange of experience between MPs, to assess the role of Parliament within the participatory process and to make suggestions concerning possible improvements. To discuss these issues, three meetings took place with the Speaker of Parliament, the Chairman of the Budget Committee and with various Parliamentarians.

As required, the Ugandan PRSP includes a precise quantification of the cost of poverty reduction strategies, which forms a specific part of the overall budget voted by Parliament. As the PRSP presents also a global poverty reduction strategy, we will also try to assess hereafter the general implication of Parliament in decision-making.

Since 1992, the Ministry of Finance, Planning and Economic Development (MFPED) has been developing a Medium Term Expenditure Framework (MTEF), which is part of the annual "Budget Framework Paper", covering three fiscal years. Since 1997, a Poverty Action Fund (PAF) has been elaborated, in order to isolate directly poverty related expenditures within the Budget. The PAF is not a separate fund. The share of the budget spent on programmes defined as within the PAF increased from 17% in 1997 to 32% and is expected to increase further.

According to the Chairman of the Budget Committee, Parliament was used to purely "rubber stamping" the Budget, neither having any possibility nor any time to vote any modification to the text proposed by the President. The Budget Act adopted by Parliament in 2001 is supposed to change this situation. Apart from the fact that it increases the possibility for Parliament to increase some expenses (as long as it suggests cuts somewhere else or new receipts), this Act brings about two major innovations which will be implemented for the first time in 2002.

• **Transparency in public accounts is increased.** From 2002, Parliament will receive before the 1st April an indicative preliminary revenue and expenditure framework for the next financial year (starting 1st July), as well as a three year macro economic plan and programme (MTEF). This will give Parliament the possibility to engage in a real debate with government on the Budget, before the actual presentation of the Budget before the 15th June. In conformity with the Budget Act, Parliament received the cabinet proposals for FY 2002/03 at the end of March. The Budget Act also imposes the government to keep Parliament regularly informed (every quarter) on the execution of the budget.

• **Parliament's capacity is also improved:** the Budget Act has created a Parliamentary Budget Office, consisting of budget and economic experts. The Budget Office will allow Parliament to make its own analysis of economic and budget proposals. According to the Budget Act, it will provide budget-related information to all Committees, submit reports on economic forecasts, budget projections and options, identify and recommend Bills that provide an increase or decrease in revenue and the Budget; prepare analytical studies of specific subjects such as financial risks posed by Government sponsored enterprises and financial policy, etc.

The delegation was also briefed on the main characteristics of the electoral process and on the composition of Parliament:

- according to the 1995 constitution, the President cannot dissolve Parliament, which is elected for 5 years;
- among approximately 300 MPs, only 250 are elected through national elections; the rest represent specific groups (above all, but not only, disadvantaged people): women, handicapped people, trade unions, the army, the youth elect their own MPs through a specific electoral process;
- parties are not represented in Parliament; MPs are elected on their "personal merits" according to the speaker of Parliament, whose answers on precise questions such as "who is funding their campaign?" were quite elusive.

A detailed technical discussion took place during the meetings at Parliament between Ugandan MPs and their African counterparts who were part of the delegation. Among the latter was the president of the Finance Committee of the Parliament of Nigeria, and the President of the Public Accounts Committee of the Parliament of Ghana. All expressed interest in the Budget Act and in the new powers it gives Parliament. The advantages/disadvantages of having a clear distinction between the Budget (receipts) and the Finance Committee (appropriation), were especially discussed at length (the Budget Act does not specify the missions of these committees). There was also a discussion on the possible reasons for underestimating/overestimating fiscal receipts, which in Europe are mainly due to unexpected economic performances. Ugandan Parliament has not made any analysis yet to check which factors could cause these kinds of problems.

Generally speaking, the different meetings suggested that the Parliament's implication in the PRSP process has apparently been rather weak. Although some MPs took part in participation workshops individually, no formal debate took place in Parliament on the PEAP/PRSP. Some MPs also took part in the Donors Consultative Group meeting which was held last year (although the delegation was not informed on which criteria they were selected). Lastly, the PRSP Progress Report 2002 was included among the background documents to the Budget presented to Parliament for 2001/02.

More generally, the delegation got a mixed impression of the extent of the participatory process in Uganda, although they fully realized that the short length of the mission did not allow collecting more in-depth information. Asked about the participation of civil society in decision-making, the speaker of Parliament answered that "they participate because they can say anything they want". Unfortunately, only one meeting was held with the NGO (the planned meeting with another one, the NGO Forum, having been cancelled by its director): the Uganda Debt Network, which is mainly funded by foreign donors.

In spite of the documentation distributed during the meeting, the MPs felt that the presentation of their activities by the Uganda Debt Network was rather vague, and that their contribution to the political debate mainly focused on management issues (especially fighting corruption), rather than on discussing global strategies. They were not able to conclude whether this was due to a lack of capacity or to constraints limiting political freedom in the country. In spite of the fact that 5 MPs were listed among its members, the Uganda Debt Network representatives' affirmation that they did not deal with Parliament (but only with government) is probably another indicator of the latter's limited influence on decision-making.

On the whole, the best way to increase Parliament's influence is undoubtedly to make it more representative of the public opinion; but the authorization of the political parties, which is included in the PEAP, is not expected before 2006 at the earliest. As it was noted by the delegation, it is quite paradoxical that the role of Ugandan Parliament in the budget and the participatory process is somehow presented as a model while it can hardly be considered as democratically elected (at least according to the widely accepted rules of representative democracy).

More specifically, the meetings held suggested three urgent needs:

- **providing information** (e.g. a new budget information system is being put in place with US AID funding, to provide Parliament with information from the Ministry of Finance, the Uganda Revenue Authority and the Bureau of Statistics);
- **capacity building**; Parliament can only become truly effective if it has the capacity to analyse the budget, the economic environment and to make a sound contribution to the decision-making process; e.g. providing support and training to the Budget office is obviously a priority;
- **exchanging experiences** ; the meetings held in Parliament during the mission confirmed the interest of exchanging experiences between MPs; as the PRSP process is "a work in progress", progress will be quicker if MPs from different countries can exchange experiences, as it is done through the PNoWB.

3. Development aid and the World Bank in Uganda

Uganda is among the developing countries which receive most international aid. **This amounts to more than 10 percent of its GDP, which represents more than the overall government tax revenue** Three main issues were discussed during the meetings with the World Bank and with the donor community:

- **Budget support vs project aid.** Because the transparency of public accounts is considered as satisfactory, Uganda has succeeded in increasing the share of donor support (World Bank, European Commission, DFID, etc.) provided to the budget². Through its IDA (International Development Aid) soft loans, the World Bank is among the main donors. The amount of undisbursed commitments at the beginning of 2002 was \$750 millions. According to the Country Programme Manager, the World Bank aims at reducing its share to 60 percent and to increase the share of budget support to 40 percent of the total. Although it is not explicitly budget support, the World Bank Poverty Reduction Support Credit (PRSC) signed in 2001, is allocated directly to the budget (\$150 million each year); as mentioned, project aid still represents the bulk of WB funding to Uganda and several World Bank projects have been visited during the mission (see below). IMF funding to Uganda through its PRGF (Poverty Reduction and Growth Facility) is quite limited (\$5 million per year) as the country is able to satisfy most of its financial needs through other sources.

- **The capacity of “absorption” of aid.** The sheer size of the flows of international aid to Uganda, relatively to the size of its economy, cause two kinds of problems: at a macroeconomic level, government has to manage these flows carefully, especially when the economy is affected by an external shock such as in 2001 (falling coffee prices and simultaneous fuel price increases). At a micro-economic level, the technical capacity to manage aid is hardly sufficient. Project aid, which causes “transaction costs”, increases this difficulty: government has to deal with numerous donors, each having their own objectives and rules.

- **Coherence between donors.** Most of the donors have aligned their development aid to Uganda on the PRSP; this greater coherence is one of the main outcomes of PRSPs, as it is confirmed by the PRSP review recently completed by the WB and the IMF (which main conclusions were presented to the delegation by K. Sharkey from the World Bank PRSP group); the donors’ meeting gave the impression that the coordination between donors was good in this country; donors are seeking to improve the division of labour through increased specialization, taking into account their comparative advantages; e.g. from 2002, the European Commission will be the only donor funding education projects (DFID will stop funding this particular sector).

- **Sustainability of aid.** Asked whether there was a long term objective to reduce the amount of international aid progressively, the donors expressed what was felt by some MPs as a certain “cynicism”. This is a key issue already mentioned: no “graduating” out of the aid dependency can be expected in a foreseeable future in the case of Uganda; moreover, one Ambassador attending the donors meeting expressed the feeling that Uganda could keep on getting as much foreign funding as it asks for, whatever the critics (corruption, military intervention to RDC, lack of democracy, etc.), as long as it is considered a “showcase” for other low-income countries.

Half the time of the mission (that is two whole days) was dedicated to field visits. These included 3 on-going projects (2 infrastructure and 1 health) currently funded by the World Bank; another visit was to a primary school which benefited from WB funding; an extra-visit was organized by a member of the delegation to a parish engaged in fighting AIDS. The main characteristics of these projects (based on the WB country brief on Uganda) are described hereafter, adding some comments drawn from the visits.

²This was confirmed by the WB and at the donors meeting. It is also evoked by ODI in its report on public expenditure in Uganda (M. Foster and P. Mijumbi, WP N°163, April 2002).

• **The Local Government Development Program** was started in 2000 (US\$ 80.9 million). This project aims to: (i) test the feasibility of implementing constitutional and legal mandates with respect to decentralized service provision and devolution of the development budget through the provision of investment funds to the Local Governments; (ii) build the capacity of the Ministry of Local Government, the Local Government Finance Commission Secretariat and eligible Local Governments for improved service delivery, accountability and transparency; (iii) test and institute alternative service delivery mechanisms through the private sector, beneficiary communities and other stakeholders in Kampala City Council; and (iv) monitor and evaluate project implementation for actual experience and good practices for formulating an appropriate strategy, implementation modalities, and phasing for eventual scaling up nationally, over time.

Out of \$80 million allocated to the project, \$15 million has been directed to Kampala. The delegation visited Kampala's land fill, whose extension and rehabilitation have been financed through the project. A treatment plant was completed in 2001 (there was none before) which will reduce pollution of the water streams in the area. The management of the land fill has been contracted to a private company. The Kampala City Council is also contemplating the privatisation of the refuse collection.

• **The Nakivubo Channel Rehabilitation Project** was started in 2000 and will be completed before mid-2002 (US\$22.4 million). The project aims at alleviating the frequent and increasing incidence of flooding in Kampala which has adverse effects on the road network, traffic flow, and overall urban living conditions in Kampala. This project will improve storm water drainage flow collection and discharge through: (i) widening of the existing channel, repair and rehabilitation of the channel lining, channel maintenance program; (ii) implementation of a Black Spot emergency drainage works program; and (iii) undertaking a comprehensive update of Kampala Drainage Master Plan. The project also assists the Kampala City Council to enhance its capacity to plan, manage and execute complex investment decisions and programs; and to establish the primacy of maintenance of key infrastructure investments.

Out of the 11km channel stretch, 8.6 km is being rehabilitated. One of the project's explicit objectives is to help the maintenance of the channel after the rehabilitation has been completed. In spite of this, although the rehabilitation of the Nakivubo Channel has almost been completed, no maintenance system has been conceived yet (including funding of this system), according to the answers given to the delegation.

• **The Nutrition and Early Childhood Development project** was started in 1998 (US\$34 million). It contributes to poverty alleviation and human capital development objectives by implementing development interventions targeted to the most vulnerable segments of the population- namely, young children and mothers. The development objective of the project is to improve the health, nutritional and cognitive status of preschool children in Uganda. The project strategy involves the provision of community-based child development services and enhancement of women's ability to care for children – by providing them with knowledge on proper child caring practices and by increasing their income-earning opportunities.

The visit took place during a "child day", when parents bring their children for medical treatment, as well as for weighting, measuring, etc. The delegation had an insight into the different activities conducted within this programme.

The two other visits were of a different sort, as they did not correspond to a World Bank project (although the first one benefited from World Bank funding).

• **Saint Mary's Jjanya primary school** is one of the rural schools in Mpigi District, 80 km west of Kampala. It is a catholic school, founded in 1938. Over the last few years, the school has benefited from various sources of funding, which financed its extension and rehabilitation: Teacher Development and Management System financed by the World Bank, School Facilities Grant, Poverty Alleviation Fund Local Government Development Programme (World Bank project, see above)

Visiting this school (which is considered as a model school) allowed the delegation to view directly some of the main problems encountered by the primary education system, which are described in the Poverty progress report 2002): overcrowding, worsened by the Universal Primary Education (the

number of pupils increased by almost 50% since UPE started), which results in some classes having more than 100 children; poor quality teaching, etc.

• **Reach Out- Mbuya Parish HIV/AIDS Initiative.** *More than 25 volunteers are involved in Reach Out activities, which focus on home health care, relying on private donations only. A clinic opened at the Mbuya Parish Church beginning of 2002.*

Part of the delegation visited the clinic and a patient at his home. They also visited a family of orphan children, whose parents died from AIDS and who get financial help from NGOs.

It is much more difficult to draw lessons from these visits than it is from the previous aspects.

This is partly because these projects have a technical content which most MPs are not familiar with. In order to get a better insight in the rationale of these projects, it would probably have been useful to discuss them with the relevant specialists at the World Bank office, before or after the visits, which unfortunately has not been done. This would have helped understanding why and how these projects were conceived, to what priorities they correspond and what problems are encountered. As it was remarked by the delegation, it would also have been interesting to discuss failures: according to the World Bank, the water borehole program (because of maintenance) and the vaccination program (mainly because of decentralization) are among these failures³. A general question was also asked concerning the possibility for the World Bank to directly assist the poor, without any mediation.

In this context, these visits were above all useful for illustrating some problems discussed during interviews, and presented elsewhere in this report: capacity of absorption of projects (e.g. maintenance); poverty alleviation vs development, etc.

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Director of DIAL

³ It was not indicated to the delegation who is managing and funding these projects.

ANNEX 1: COMPOSITION OF THE DELEGATION

To be completed

ANNEX 2: PROGRAMME OF THE MISSION

Monday 15th April

- 9.30 a.m.** Mr R. Blake, World Bank Country Programme Manager
- 10.30 a.m.** Mr E. Sekande, Speaker of Parliament
- 11.30 a.m.** Mrs B. Kariso, Chairman of the Budget Committee
- 15.00 p.m.** Mrs B. Kariso, Chairman of the Budget Committee (continuing)
+ various members of Parliament
- 17.00 p.m.** Mrs K. Sharkey, Senior Operations Officer in the World Bank, PRSP Group

Tuesday 16th April

- 9.00 a.m.** Mr W. Mahler, IMF Representative
- 10.30 a.m.** Minister of Finance, Planning and Economic Development+ PRSP Team
- 2.30 p.m.** Donor's meeting
- 5.00 p.m.** Z. Gariyo, Uganda Debt Network

Wednesday 17th April

- 9.00 a.m.** Field visit to:
- Mpigi primary school
- Nutrition and Early Childhood Development Project / Child Day
- 15.30 p.m.** Wrapping up session animated by the rapporteur

Thursday 18th April

- 10.00 a.m.** Field visit to:
- Kampala Land fill
- Nakivubo Channel Rehabilitation
- 14.30 p.m.** Field visit to Mbuya Parish HIV/AIDS Initiative with the UNAIDS Representative (visit organized by B. Van Den Bos, EU MP)