Overseas Development Institute

How, When and Why does Poverty get Budget Priority
Poverty Reduction Strategy and Public Expenditure in Uganda
Case Study 1

Mick Foster and Peter Mijumbi

Working Paper 163

Results of ODI research presented in preliminary form for discussion and critical comment

Working Paper 163

How, When and Why does Poverty get Budget Priority?

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How, When and Why does Poverty get Budget Priority?

- about the research series

This is the synthesis paper of CAPE's research on *How, When and Why does Poverty get Budget Priority?* It is based upon the findings of five country case studies. The full list of research papers in this project is as follows

Case Study 1	**How, When and Why does Poverty get Budget Priority: Poverty Reduction Strategy and Public Expenditure in Uganda** *ODI Working Paper 163* Mick Foster, Centre for Aid and Public Expenditure, ODI Peter Mijumbi, Economic Policy Research Centre, Maekere University
Case Study 2	**How, When and Why does Poverty get Budget Priority: Poverty Reduction Strategy and Public Expenditure in Ghana** ***ODI Working Paper 164*** Mick Foster, Centre for Aid and Public Expenditure, ODI Douglas Zormelo
Case Study 3	**How, When and Why does Poverty get Budget Priority: Poverty Reduction Strategy and Public Expenditure in Tanzania** *ODI Working Paper 165* Felix Naschold, Centre for Aid and Public Expenditure, ODI Adrian Fozzard, Centre for Aid and Public Expenditure, ODI
Case Study 4	**How, When and Why does Poverty get Budget Priority: Poverty Reduction Strategy and Public Expenditure in Malawi** *ODI Working Paper 166* Adrian Fozzard, Centre for Aid and Public Expenditure, ODI Chauncy Simwaka
Case Study 5	**How, When and Why does Poverty get Budget Priority: Poverty Reduction Strategy and Public Expenditure in Mozambique** *ODI Working Paper 167* Adrian Fozzard, Centre for Aid and Public Expenditure, ODI
Synthesis Paper	**How, When and Why does Poverty get Budget Priority: Poverty Reduction Strategy and Public Expenditure in Five African Countries** *ODI Working Paper 168* Mick Foster, Centre for Aid and Public Expenditure, ODI Adrian Fozzard, Centre for Aid and Public Expenditure, ODI Felix Naschold, Centre for Aid and Public Expenditure, ODI Tim Conway, Poverty and Public Policy Group, ODI

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Acronyms

CGs	Conditional Grants
DANIDA	Danish International Development Agency
DDP	District Development Project
DFID	Department for International Development, UK
DRC	Democratic Republic of Congo
GDP	Gross Domestic Product
GOU	Government of Uganda
HIPC	Highly Indebted Poor Countries debt initiative
IGG	Inspector General of Government
IMF	International Monetary Fund
LGDP	Local Government Development Project
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MFPED	Ministry of Finance Planning and Economic Development
MOH	Ministry of Health
MPS	Ministry of Public Service
MTBF	Medium Term Budget Framework
MTEF	Medium Term Expenditure Framework
NGO	Non Government Organisation
NRM	National Resistance Movement
PAC	Public Accounts Committee
PAF	Poverty Action Fund
PAPSCA	Programme to Alleviate Poverty and the Social Costs of Adjustment
PEAP	Poverty Eradication Action Plan
PHC	Primary Health Care
PMA	Programme for Modernisation of Agriculture
MOLG	Ministry of Local Government
MOPS	Ministry of Public Service
PPA	Participatory Poverty Assessment
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
UBOS	Uganda Bureau of Statistics
UDN	Uganda Debt Network
UPPAP	Uganda Participatory Poverty Assessment Project

Executive Summary

Introduction

This is one of six African country case studies aimed at understanding the factors influencing the priority given to poverty within the budget process, and the effectiveness with which it is addressed. Each case study examines the same common set of hypotheses. A synthesis will be prepared, to draw out replicable lessons of good practice. Each case study is based on a combination of review of written material and structured interviews with participants in the policy process in Government, civil society, and the donor community.

Uganda has recovered from the political chaos and economic collapse of the 1971-86 period. Economic growth in the 1990s has averaged nearly 7% per annum, stable macro-economic conditions have been maintained since 1992 despite external shocks, income poverty has fallen from 56% of the population in 1992 to 35%,and there is some evidence of improvements in access to basic economic and social services. Malnutrition has fallen.[1] Though there are 1.7 million AIDs orphans and nearly 10% of the population are HIV positive, Uganda is unique in Africa in having achieved a significant reduction in HIV prevalence, with a halving of infection rates. Progress in poverty reduction has been uneven: poverty in the conflict affected North has increased since 1996, and the region accounts for nearly 40% of the poverty population.

Government policy and poverty reduction

The Government that took power in 1986 was initially reluctant to implement the market-friendly reforms advocated by the World Bank and the IMF, but the liberalisation agenda of the Washington institutions was embraced with increasing conviction as it began to yield positive results. However, though the means changed, social justice and poverty reduction continued to be central objectives of a Government with roots in a socialist ideology, and which drew much of its support from the rural areas.

Following a 1995 workshop with participation from the President, the first poverty eradication action plan (PEAP) was prepared in 1997 as the over-arching document setting out Government poverty reduction strategy. It was subsequently updated in 2000, with far broader consultation, including a participatory poverty assessment to ascertain the views of the poor themselves. The PEAP has four pillars of action: creating the enabling environment for rapid and sustained economic growth and structural transformation; good governance and security, issues which emerged strongly from the Participatory Poverty Assessment (PPA); actions to directly increase the ability of the poor to raise their incomes, such as agricultural advisory services; and actions to improve the quality of life, including investments in primary education, clean water, and improved basic health care.

Achieving the targets set out in the PEAP over the next ten years is estimated to require public expenditure to be immediately increased by 60%. This estimate simply indicates that the PEAP needs to be prioritised and phased in. The Medium Term Expenditure Framework is the mechanism by which the targets of the longer term PEAP are adjusted to match the resources available in the short to medium term.

[1] Brown (2000) and Okunzi and Birungi (2000).

The combined Ministry of Finance Planning and Economic Development has been, for most of the period since it was established in 1991/92, the engine of Ugandan recovery and development.[2] The initial focus was placed on restoring macro-economic stability, and the conditions for growth and investment. Foreign exchange market liberalisation, and later the liberalisation of coffee marketing, enabled farmers to keep a larger percentage of the world coffee price, and made the most important single contribution to poverty reduction.

Poverty and the budget process

MFPED have taken the leading role in the planning and budget process, but responsibility for approving the PEAP and each annual budget which helps implement it rests with the Cabinet, and ultimately the President. MFPED authority depends on maintaining Government approval.

The budget process has been progressively reformed to enable resources to be concentrated on Government priorities. The initial focus on controlling aggregate spending in line with macro-economic constraints was succeeded by the introduction of medium-term expenditure ceilings, initially for central departments, but extended in 2000/2001 to encompass local Government. Donor flows are also increasingly being brought within the budget process.

There has been a progressive movement away from incremental budgeting towards a stronger focus on Government objectives. This has been helped by the formation of sector working groups, involving donors and other stakeholders alongside sector officials. Sector strategies and sector expenditure plans have been prepared under the leadership of sector ministries, but involving joint teams with official and donor representation. The budget planning process has become remarkably transparent, with open discussions and presentations to which parliamentarians, NGOs, the media and donors are invited, and at which the priorities and plans of the medium term expenditure framework are presented and justified.

The MFPED has played an active role in ensuring that Government priorities are respected, most innovatively through the Poverty Action Fund (PAF). The PAF is not a separate fund. The PAF attempts to identify those expenditure programs within the budget that are particularly relevant for achieving poverty reduction objectives. The PAF expenditure categories are drawn from the analysis in the PEAP, and include primary education, primary health services, access to water and sanitation, agricultural services for poor farmers, and rural feeder roads as the major programmes, together with spending on PAF monitoring. The innovative aspect is that Government has committed itself to increase the level and share of total public expenditure committed to PAF expenditures, and to guarantee that allocated PAF funds are released in full, a promise which has so far been met. Government has guaranteed to utilise HIPC debt relief savings, plus designated donor budget support commitments, plus some additional commitments of Government own funding, for additional spending on PAF budget lines beyond a baseline level established in 1997/98 budget year. The introduction of the PAF has seen a doubling in the share of the budget spent on programmes now defined as within the PAF, from 17% to 32%, with the share designated to increase further. The criteria for inclusion in the PAF were circulated in 2001 (Box 4). They focus on direct poverty reduction, and require a costed monitorable plan to have been prepared. The Poverty Eradication Working Group chaired by MFPED acts as 'gatekeeper', advising the Permanent Secretary as to whether the criteria are met.

The MFPED has used the principles set out in the PAF and the PEAP to encourage departments to be more rigorous in their justifications for their budget plans, relating the case for Government

[2] Finance and planning were separated again in 1996, but re-merged in 1998.

intervention to some form of market failure. Departments have been encouraged to show how their budget plans help to achieve PEAP objectives. Departments that have not come forward with credible plans have been penalised. Thus the overall health sector share was not initially increased, but additional spending on the essential package of primary and preventive services was financed by a radically increased share at the expense of the tertiary hospitals, who had their budget capped and were expected to raise efficiency and make increased use of cost recovery. Within the agriculture sector, failure of the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) to define a relevant and affordable role for itself in the poverty reduction strategy resulted in leadership of the Programme for the Modernisation of Agriculture being assumed by the MFPED. In these cases, the share of poverty expenditures within the sector budget increased first, before MFPED were persuaded of the merits of increasing the overall budget share of the sector.

The big increases in sector shares have gone to education and roads, and more recently to water and sanitation. Spending on defence has been capped at 2% of GDP despite involvement in regional conflicts, and the share of law and order has fallen despite continuing problems of domestic insecurity. The burden of public administration has also been reduced, together with domestic debt interest. We are aware of no other country that has achieved such a dramatic pro-poor change in spending patterns in so short a period. The most recent poverty status report recognises that progress has been uneven, and points to future shifts in the geographical distribution of spending to help address the problems of the conflict blighted North, and a shift in emphasis towards supporting rural livelihoods, and towards overcoming maintenance problems.

Decentralisation

Uganda is also remarkable for spending over one third of total public expenditure via local authorities, the largest share in Africa. Uganda continues to wrestle with the problem of how to reconcile national programme priorities, and the need for accountability, with the objective of decentralising resources to local Government. In the face of clear evidence that district administration was absorbing funds intended for service delivery, Uganda has limited the discretion of local Government, providing 80% of their funding in the form of highly conditional grants. These require local Government to use the funds in ways determined at the centre, and specify planning, reporting and accounting requirements. Government has also made increasing use of transparency provisions. Public notices, FM radio stations, and newspapers are being used to publicise the resources which have been provided to individual schools and health facilities, and what they are to be used for. The intention is to empower communities to hold civil servants and councillors to account.

The budget process includes regional workshops at which local Government planning and budget staff exchange information and views with the MFPED budget directorate. It has been an opportunity for Districts to feed back their difficulties with the guidelines and procedures for accessing budget funds, while it has also enabled MFPED to train and support Districts in planning and budgeting. There is said to be a marked improvement in the quality of plans and budgets in the second year in which Districts have been included in the MTEF process. Government nevertheless accepts that present arrangements for local Government finance may be too bureaucratic, and is trying to increase flexibility, while also extending nationally an approach to piloting participatory district level planning, supported by capacity building at district and sub-county level. The DDP approach, which is being piloted in five districts, helps local Governments to meet minimum standards of planning and accountability before funds can be accessed, but raises the standard to be achieved in subsequent years, providing strong incentives to build capacity.

The main lesson from Ugandan experience of decentralised budget management is perhaps the importance of being willing to learn from experience, and modify the approach in the light of evidence.

Aid and the budget

Government is now turning attention to strengthening arrangements for incorporating donor flows within the budget. Uganda has already succeeded in increasing the share of donor support provided for the budget. It is the first country to receive general budget support from the World Bank in the form of a Poverty Reduction Support Credit.[3] This is provided in the context of an agreement on the overall MTEF, plus actions to address critical cross-cutting problems mainly in the area of public sector management and accountability. Other donors including DFID, Ireland Aid and the EU are supporting it. Many other donor programs provide budget support, either earmarked to PAF expenditures, or to sector programmes in justice, law and order, health or education. The sector approach is being extended across all areas of Government.

Government now wishes to go further, and increase the influence it is able to exert over project commitments. Table 4 shows that the pattern of Government expenditure is significantly different when project aid is included, with the share of agriculture for example significantly increased, while the share of education is significantly lower. Other influences of project commitments on the distribution of expenditure are likely to be more marked still, with specific districts in receipt of donor flows likely to be disproportionately privileged compared to others who have been less fortunate. Ministries that are able to attract additional donor project commitments may not feel that their budget constraint is a real one, and may delay necessary rationalisation in hope of attracting a donor.

In order to improve planning and resource allocation, the draft Volume 3 of the PEAP raises the possibility of placing a ceiling on project commitments which each sector Ministry may accept. This would leave sectors with an incentive to seek additional donor funding commitments up to their ceiling, but the approach would also leave MFPED in stronger overall control of the pattern of resource allocation, which should improve prioritisation in line with national priorities.

Did the poor benefit?

The increased expenditures on poverty reduction are reflected in some improvements in service access and quality.

With 96% of the population being rural dwellers, and half of rural income coming directly from agriculture, it is recognised as the key sector for poverty reduction. Other than in the conflict-affected North, poverty has fallen among both cash crop and food crop farmers. This has mostly been as a result of policy changes that have liberalised markets and raised farm gate prices. Government has spent little directly on agriculture, extension services reach fewer than 20% of farmers, and technology shows little change. Government is now re-thinking what role it should play in the sector, and has developed a Programme for Modernisation of Agriculture which envisages a more participatory and demand-driven approach, making more use of private sector service providers.

[3] Strictly speaking, the PRSC is an adjustment operation, providing foreign exchange with nominal accountability in terms of ensuring that eligible imports exceed the level of World Bank financing. In practice, although IDA is unable to explicitly provide budget support, the emphasis of the PRSC is on financing public expenditure programmes and supporting related reforms to budget planning, management, and accountability.

Major investments in roads have contributed to agricultural development. The poverty status report quotes recent survey evidence that two thirds of communities say that transport has improved, reflecting major investments in the main road and feeder road rehabilitation. Larson and Deininger find evidence of a significant reduction in the spread of market prices, indicating lower transport costs. Road maintenance remains a concern.

The near doubling in enrolment following the introduction of free primary education has greatly reduced the income and gender bias in enrolments. Approximately 90% of the intended funds are now reaching primary schools (a big improvement), and there has been some improvement in the numbers and maintenance of classrooms. However, limited attainment test information suggests that the 90% increase in enrolments after 1996 has adversely affected quality. This is not surprising when the explosion in enrolments has resulted in shortages of teachers, classrooms, and books, shortages that the education sector programme is beginning to address.

Health standards should have benefited from increases in coverage of safe water and sanitation, and improved health services. The most significant achievement has been the halving of HIV infection rates, following a relentless public education campaign. Regarding health services, the increased focus on primary services has resulted in better-maintained clinics, closer to the community, and better stocked with drugs. Nevertheless, the increase in utilisation of modern health facilities has mainly been met by non-Government service providers. Though there have been some improvements, with increases in ante-natal care and treatment of malaria, utilisation of Government health services remains very low, with the poor most likely to live in areas without access to an appropriately staffed facility, and most likely to be discouraged by user fees. Immunisation performance has not improved. The 2001 abolition of user fees saw big increases in utilisation of Government services, but there is a fundamental dilemma of affordability in extending free services beyond the minority of the population who currently benefit from them.

Summarising, in education, water supply, road transport, health, Government can point to some real achievements in making improved services available to the population, including the poor. Each of these sectors continue to face major problems of poor quality, lack of capacity and of staff recruitment and motivation, and maintenance is a major challenge for roads and water facilities. Nevertheless, there is evidence that increased expenditure on poverty programmes has brought increased benefits to the poor. Government's own poverty status report is very clear in recognising where the problems are that need to be addressed, which is perhaps one of the more encouraging features of the Uganda Government approach.

Explaining the Uganda experience

The Uganda case, with some reservations, has to be regarded as a successful example of a country that has organised the budget process to address poverty. In terms of the research hypotheses which we set out to investigate, key factors in that success appear to be:

- Leadership commitment.
- Development of an evidence-based poverty strategy, and willingness to modify policy when new evidence becomes available, e.g. on the effects of decentralisation.
- Clear definition of criteria for Government intervention in the economy, with the private sector role expanded where it made sense to do so, e.g. water sector, tertiary education, agricultural extension.
- Clear criteria for identifying poverty reducing expenditures that, though narrowly defined, proved an effective mechanism for reversing a traditional anti-poor bias in spending patterns.

- An effective budget process based on realistic resource projections, and hard budget ceilings, enabled resources to be shifted towards increasing and protecting spending on poverty programmes.
- A steadily improving budget planning and management process, in which a strong MFPED increasingly extended the content of the medium term budget, co-opting technical resources from outside the Ministry, and capturing more of the total flow of public expenditure over time.
- A strong focus on strategic questions, avoiding becoming buried in the detail, enabled MFPED to exercise a degree of real quality control over sector expenditure plans, rewarding those sectors that responded to PEAP priorities, while holding back on the budgets of those that did not. Though the guidance may be too prescriptive and too bureaucratic, local Government also has positive incentives to achieve planning and accounting standards in order to secure fund release.
- Budget predictability was achieved through careful macro management, and reinforced for poverty programmes by specifically protecting them, which both improved the incentives for allocating funds for poverty, and made planning seem more worthwhile. The cost of this approach has been increased uncertainty of resources for non-PAF programmes, a cost which most of those interviewed felt had been worthwhile for the benefits achieved.
- The donor role has on balance been helpful for poverty reduction, both by helping defend poverty programmes through PAF earmarked support, and through the technical support given to both the PEAP and the budget process through the sector working groups. This has been positive primarily because Government, through the MFPED, has retained control of the overall agenda and priorities.
- Though there has been some redundancy and overlap, the planning and budget process has demanded and used good evidence and analysis, led from the Ministry of Finance, Planning and Economic Development, where an influential poverty monitoring unit is located. Major policy and management changes have been undertaken when analysis showed existing policies were ineffective, for example the introduction of conditional grants and of more transparency in budget releases responded to tracking-study evidence that resources were not reaching the facility level.
- This has included institutionalising, within MFPED, the collection of views from the poor themselves through participatory poverty assessments, which have been influential in changing Government priorities.
- Direct participation by communities in setting service standards and priorities is limited at present, though the LGDP approach encourages this. However, government has sought actively to provide information to the population to enable them to hold officials to account, has encouraged and facilitated complaints through the IGG, has involved Parliament and NGOs in the budget process, has sought to provide simplified information on the budget process to enable outsiders to participate, and has developed and facilitated multiple channels for monitoring and feedback involving actors inside and outside Government.

Issues of continuing concern include:

- Public sector pay. Uganda achieved initial success in raising real pay levels towards ‘living wages’ defined around the standard of living civil servants of different types could reasonably expect to achieve. Progress took place in the context of rapid economic growth, increased tax revenues, and a halving of public sector employment. Recent years have seen tax revenues stagnate, while the requirement for new teachers and other staff has required new growth in employment. Government cannot afford to immediately pay enough to attract and retain staff while simultaneously meeting other priority expenditure needs.
- Public sector performance. Resistance to paying competitive salaries for skilled staff is reinforced by the evidence of poor performance, corruption and other misdemeanours by

some public servants. Efforts are being made to improve performance by a number of routes, including promotion linked to performance assessments, and actions to reinforce the voice of clients in holding officials to account. It is too early to assess progress. However, with salaries too low to recruit, motivate and retain critical categories of staff, especially in remote areas where the services most important to the poor are delivered, there may be limited scope for improvement.

- Financial accountability is weak, financial rules are widely ignored, audit reports are not followed up, and corruption levels are high. Though there is a strategy to address these problems, there is considerable overlap in the functions of the bodies responsible for fighting corruption, and lack of attention to their fiduciary responsibilities by accounting officers means that mixed signals are sent to departments on the priority to be given to raising standards, and the standards which are acceptable. The movement towards direct budget support is focusing increased donor attention on these issues, and indeed the increased proportion of the donor funding which is dependent on Government systems to generate acceptable accounting and audit reports raises the risks to Government if the concerns are not addressed.
- How to reconcile a focus on national policy priorities with decentralised budget management. The conditional grant approach has secured significant improvements in the share of public expenditures reaching the facility level, and spent on national poverty priorities, and has supported some improvements in service access and quality. However, some of the grants have been criticised as unresponsive to local needs and overly bureaucratic, with a focus on nominal paper planning and accountability rather than a real focus on performance. The Local Government Development Programme (LDGP) offers an alternative that focuses on a more participatory approach to planning, working with lower tiers of Government, and introducing a stronger community role in planning. However, there are some unresolved dilemmas in how to reconcile this approach to planning with the sector-specific and hierarchical approaches represented by the conditional grants and by the sector programme approaches which have been the basis for budget reform and for donor support.

1 Introduction

1.1 Methodology

The case study is based on research conducted between December 2000 and February 2001. It examines the Uganda experience in terms of a set of hypotheses concerning the factors influencing the treatment of poverty within the budget process. These were investigated through a series of interviews with Government officials, donor representatives, and involved members of civil society (see Annex 1), informed by background working papers commissioned from the Economic Policy Research Centre[4], including analysis of the evolution of the budget system, the policy history, and the comparison of planned expenditure priorities with the outturns achieved. Mick Foster also participated in the appraisal of the World Bank Poverty Reduction Support Credit on behalf of Ireland Aid, an opportunity which added to the insight we were able to gain into the poverty policy process.

1.2 Structure of paper

The remainder of this section summarises poverty trends in Uganda. Section 2 summarises the development of Government policy and the role of poverty within it, describes the instruments which Government has developed to ensure that national priorities are reflected in the actual pattern of spending, and then describes how the pattern of spending has in practice changed to reflect nationally defined poverty policies. Section 3 reviews the available evidence on how effective public expenditure has been in reaching the poor with improved services. Section 4 discusses what accounts for the results that have been achieved with reference to a series of hypotheses, organised under three main areas: institutions, information and analysis, and participation. Section 5 draws some conclusions, focusing on the policy implications of the experience.

1.3 Poverty trends in Uganda

Uganda became one of the world's poorest countries as a consequence of the prolonged period of economic and social collapse during 1971-85. Uganda remains extremely poor, ranked 158 on the UN human development index, but has sustained a remarkable recovery, with economic growth averaging nearly 7% per annum in the 1990s, inflation contained to single figures, and the proportion of the population in absolute income poverty falling from 56% in 1992/93 to 44% in 1997/98 and, if preliminary figures are confirmed, to 35% in 1999/2000.[5] Over the 1990s, living standards in urban areas rose by over a half, in rural areas by over a third. The main blot on performance has been continued increases in poverty in the conflict-affected North, the poorest region. With that exception, growth in rural areas was progressively distributed, and both food crop and cash crop households benefited. These improvements are only now returning Ugandan per capita income to the level achieved in 1970, an indication of the extent of the collapse suffered in the Amin-Obote II period.

[4] Ayoki and Obwona (2001) and Mujimbi (2001).

[5] Appleton (2000): Preliminary estimates from the UNHS. The poverty line is defined in terms of the cost of meeting calorie needs plus some allowance for non-food consumption. Specific poverty lines involve a large element of judgement, but the finding that poverty has substantially reduced is not sensitive to the choice of poverty line.

The participatory poverty assessment (PPA) reveals a slightly different picture, but one which McGee has suggested can be reconciled with the household survey data.[6] PPA respondents are looking at trends over different, and sometimes longer, periods, and we have already remarked that living standards are still below those achieved in 1970. McGee also suggests that some of the extra expenditures captured by the household expenditure survey may not reflect increased welfare. For example, increased spending on health care in the wake of the AIDS epidemic, increased alcohol consumption by men, increased spending on previously ‘free’ items such as fuel wood and water would show up as increased real household expenditure, but may not be correlated with other indicators of welfare. There is some evidence in both the PPA and the household survey data of households selling assets in order to meet increased needs for cash expenditures. A point not explicitly made by McGee is that households move in and out of poverty as their circumstances change, and a PPA which focuses on poverty will inevitably find more households for whom living conditions have worsened than will a household survey designed to represent trends across all households. The next PPA will aim to offset any bias by including a focus on the experience of households who have escaped from poverty. Overall, there is little doubt that rising consumption has improved welfare, but the household expenditure data may well flatter the impact on living standards.

[6] McGee (2000).

2 Government Policies and Poverty Reduction

2.1 Government policy from 1986

A recent study characterises the development of Government policy under President Museveni in terms of initial rejection of market-based reforms (1986), followed by a period of reluctance (1987-92), when donor conditionality helped to strengthen the influence of the reformers, with full ownership of the reform process established from 1992 onwards.[7] A strong characteristic of the Government from the earliest years has been an open debate on the policy options, and a willingness to learn the lessons of experience. The failure of the closed economy model which was attempted in 1986, was followed by a cautious opening up, influenced by study tours to learn from the Ghana experience, and supported by a Bank-IMF supported reform programme. An economic council, chaired by the President, played a key role as a decision-making body, in which policy options were debated on their merits. The decision to liberalise the foreign exchange market was an early, and vital, outcome of such a debate in which experts from the donor community as well as Government participated and proved influential.

A crucial event was the merger of finance and planning in 1992, following a lapse in fiscal rectitude by the Finance Ministry which saw inflation soar to over 100%. The merger was in effect a take-over by planning, and established a powerful combined Ministry with a talented team of officials at the helm. The MFPED team has been well led, and has been relatively well paid (initially with donor supplementation, later with special budget and other allowances which recognised the level of commitment required of them). There has been staff continuity in the key positions, and a culture of high achievement, hard work, and commitment to common goals has been established and maintained. Interviews with MFPED staff are remarkable for the coherence and consistency with which a common vision is articulated. The strong leadership has also enabled the ministry to make excellent use of long-term technical assistance to supplement capacity to get things done, without undermining Ugandan leadership and ownership. It is the MFPED which has consistently driven the policy process, not just the economic reform process but also the development of poverty policy, with the control over the allocation of Government funds ensuring that policies were implementable.

Though the merger of finance and planning appears to have been highly successful, it has been controversial, not least with the President himself, who has been concerned to ensure that policy did not become too dominated by short term macro-economic management. The planning and finance functions were separated again into two ministries in 1996-98, though the close relationships of the officials heading the two departments seem to have enabled them to continue working closely together, and the ministries were subsequently re-merged. One positive result of the Presidential concern has been to maintain the pressure on the Ministry to ensure that strategic and longer term issues continued to receive attention.

2.2 Development of government poverty policies

The poverty emphasis of Government policy was muted in the early years when the priority was to restore macro-economic stability and economic growth, but was more marked from 1995 onwards. Poverty policy initially focused on efforts to mitigate the perceived negative effects of structural adjustment on some groups within the population. The PAPSCA programme started in 1990 was

[7] Holmgren et all (1999).

similar to many such programmes initiated under the auspices of the World Bank-supported social dimensions of adjustment programme. However, by 1994, the MFPED officials recognised the need for a more comprehensive analysis and strategy to tackle poverty, partly motivated by strong pressure from elements within the ruling National Resistance Movement (NRM) who were convinced that poverty was getting worse during the adjustment years. The Government had moved away from socialist policies but not from the objective of a more prosperous and more equal society, and was particularly sensitive to such criticism from within its own ranks.

The July 1995 forum on poverty, in which the President participated, was a defining moment, which was followed by the establishment of a Task Force which eventually led to the preparation in 1997 of the first Poverty Eradication Action Plan. The discussions in July 1995 and leading up to the PEAP influenced the President's Manifesto for the 1996 election, and the final shape of the PEAP was in turn influenced by the political commitments made during the election campaign.

The President played a major role in shaping the priorities of poverty policy. The priority given to the main roads programme reflected a strong conviction by the President that connecting people to markets was crucial for growth and poverty reduction, and depended on rehabilitation of the roads network, and (at Presidential insistence against World Bank opposition) on developing new roads to connect previously isolated populations. Discussions in the context of the PEAP identified the need to also invest in rural feeder roads. The commitment to modernisation of agriculture was also a major theme of the 1996 election.

Perhaps most significant, the commitment to free primary education for up to four children per family was made during the 1996 election. It reflected long-standing Ministry of Education and Sports policy to give priority to this level of education. The 90% increase in enrolments in 1997, following the removal of fees, surpassed all expectations, and dictated to some extent the increase in the share of the budget devoted to primary education.[8]

The Poverty Eradication Action Plan was updated in 2000, and was the foundation on which Uganda became the first country to qualify for enhanced HIPC debt relief: 'Uganda's over-arching national planning document is the PEAP, signalling poverty reduction is the fundamental goal of the Government'.[9] Box 1 sets out the four 'pillars' of the PEAP, and the priority actions to implement them.

Box 1: The PEAP pillars and priority actions

1. Creating an enabling environment for rapid and sustainable economic growth and structural transformation. Macroeconomic stability, equitable and efficient collection and use of public resources, and private sector development.
2. Good governance and security. Conflict resolution, decentralised governance with strengthened bottom up accountability, tackling corruption, legal sector reform, and public information.
3. Actions which directly increase the ability of the poor to raise their incomes
Agricultural advisory services, rural finance, access to markets, sustainable natural resource utilisation, rural roads, secure access to land and sustainable energy resources for the poor.
4. Actions which directly improve the quality of life of the poor
Free primary education, improved health care, HIV/AIDS, water and sanitation and adult literacy.

Key cross cutting issues are also identified, and include: action to address public expenditure management issues; environmental issues; gender and the needs of disadvantaged groups; and the need to address geographical disparities.

[8] Ministry of Education and Sports, Uganda, and Department for International Development, Eastern Africa (September 1998).
[9] MFPED (2000).

The revised PEAP was developed through a consultative process involving parliamentarians, departments across Government, local government and civil society. As a result, everyone we spoke to acknowledged that there is broad ownership of the PEAP and its principles.

2.3 Poverty reduction and the Medium Term Budget Framework

From an initial concentration on ensuring that spending conformed to budget limits, the budget process has developed into an increasingly effective medium-term framework for allocating both Government and donor flows in line with national priorities. It has continued to develop, incorporating local Government within the framework, involving other stakeholders in the process, and beginning to introduce a sharper focus on outputs and outcomes (Box 2).

Box 2: Quick guide to planning and budget processes

Vision 2025 – An overview of long term goals and aspirations by the year 2025

The PEAP – The national planning framework on which to develop detailed sector strategies

MTEF – Annual, rolling 3-year expenditure planning, setting out the medium term expenditure priorities and hard budget constraints against which sector plans can be developed and refined

Sector Planning – Sector working groups involving donors as well as Government work on budget framework papers (sectoral MTEFs), disciplined by hard budget constraints set by the MTEF. Sector wide approaches with defined objectives, programmes, indicators, monitoring and review arrangements exist in education and health, and are being introduced elsewhere.

District Planning – Discretion is presently limited because most local Government finance is in the form of conditional grants, specifying how funds are to be allocated and used, requiring detailed work plans, and specifying reporting and monitoring arrangements. Districts are now included in the MTEF process, with district MTEFs setting out the medium-term expenditure priorities and hard budget constraints within which district plans can be developed and refined.

Participatory Processes – The budget process is remarkably open. Donors participate in sector working groups and overall budget discussions. There is consultation with NGOs, the private sector, and other civil society organisations, and there are attempts to involve MPs informally as well as in the context of formal budget approval procedures. The Local Government Development Programme is developing more participatory approaches to the Local Government planning and monitoring process. Participatory poverty assessments ensure policy is informed by the views and experiences of poor people.

Source**:** Adapted from Government of Uganda, Poverty Reduction Strategy paper, Uganda’s Poverty Eradication Action Plan, Summary and Main Objectives, MFPED (downloaded from IMF Home Page, Uganda and the IMF).

2.4 Decentralisation and poverty policy

A critical issue for Uganda has been how to reconcile national priorities with a strong commitment to decentralisation of authority to Local Government. Decentralisation has been introduced gradually, starting with political decentralisation, followed by administrative, and finally a 1995 decision to decentralise the recurrent budget. Overall transfers to districts increased from 11% of total expenditure in 1995/96, to 20% in 1998/99[10], and have increased further to around one third of

[10] Babihuga (1999).

total spending in the current 2000-2001 budget year. Local Governments are responsible for almost all services delivered within their districts.

The early experience of decentralisation was not an entirely happy one. There was a steep decline in spending on primary health care following administrative decentralisation in 1993.[11] Expenditure tracking studies undertaken in 1996 showed a large proportion of funds intended for schools and health facilities were used instead for administrative costs at higher levels of Government.[12] Health facility staff were rarely present, and were involved in large scale diversion of drugs and supplies for personal gain. Given these findings, Government needed to find a means to increase spending on priority areas identified in the PEAP, whilst ensuring that the increased spending actually got to where it was intended to go, and was effectively used.

Part of the Government response was to introduce conditional grants to local authorities. These have increased in recent years, there are now 27 different conditional grants, and they make up 80% of local Government financial resources. They set out what the grant is intended to be used for, and impose various requirements on local Government to set out workplans and comply with reporting requirements.[13] The grants are in some cases allocated centrally down to individual school level or to sub-county level. In order to enable the population to pressure local Government to release them in full and ensure they are used as intended, budget releases are publicised in the press and on local FM radios, and there is a requirement for mandatory posting of amounts received and their use on school noticeboards as well as at local Government offices. This mandatory requirement is being extended to health, water and sanitation, and agriculture services.[14] In order to further improve the flow of information to communities, Government is formulating a Communications Strategic Plan.[15]

There is a plethora of reporting and monitoring requirements, involving a range of bodies within and outside Government, but the relevant line ministry has lead responsibility for setting out the criteria and guidelines on each grant within their area of competence, and for monitoring local Government performance in utilising the grants.

The conditional grant system restored to MFPED an instrument for imposing national expenditure priorities through sectoral expenditure allocations, including conditional grants that are spent by local Government, but which line ministries bid for as part of the budget process.

The District Development Project has successfully piloted an alternative approach to decentralised planning and management of the development budget (Box 3). The approach is to be introduced in all of Uganda's districts, under the Local Government Development Programme, and it is also to be the approach adopted for the non-sectoral conditional grants which are a key component of the Plan for the Modernisation of Agriculture.[16] The approach contrasts with the very directive approach of the Conditional Grants provided under the PAF. At the time of writing, discussions were ongoing to seek to reconcile the two approaches, following completion of a fiscal decentralisation study which recommends moving towards the DDP/LGDP approach.[17] The most recent document reviewed for the study, the 2001 poverty status report, says that Government will focus on 'streamlining fiscal transfers to local Government and gradually increasing local discretion over the use of resources.'[18]

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[11] DFID *et al* (2000). See also Brown (2000).
[12] Economic Policy Research Centre and Management Systems and Economic Consultants Ltd (1996). See also Ablo and Reinikka (1998).
[13] MFPED (2000).
[14] World Bank (2001a).
[15] MFPED (2001), Poverty Status Report.
[16] MFPED, Poverty Status Report, 2001.
[17] Government of Uganda, Donor Sub-Group on Decentralisation (2000) 'Fiscal Decentralisation in Uganda, The Way Forward', December.
[18] MFPED, 2001.

2.4 The Poverty Action Fund

Box 3: District development programme/Local government development project approach

- Non-sector specific development grants to districts, allocation based mainly on population.
- Participatory approach to planning involves the lower levels of government directly, 65% of funds direct to sub-counties, of which 30% is to be planned and allocated at parish level.
- In order to qualify, districts (and sub-counties within them) have to meet criteria for their development planning capacity, financial management, technical capability to supervise works, and provision of a co-financing contribution of 10%.
- Districts unable to meet these criteria can benefit from a capacity building grant, to enable them to meet the conditions in the next round.
- Performance is assessed against targets to achieve annual improvement in: (i) the quality of plans, (ii)financial reporting, (iii)technical implementation, (iv)participation in planning, (v)poverty focus, and (vi)monitoring information.
- Good performance is rewarded with 20% increase in funds, poor performance is sanctioned with a 20% reduction.

Priority areas within the budget were first identified, and successfully protected from cuts when resources fell short, when Priority Programme Areas were introduced in the mid 1990s. These included some key poverty priorities (such as primary education), but also covered other national priorities such as the main road programme. The approach to protecting poverty relevant expenditures was reinforced when the Poverty Action Fund was introduced in 1998/99. The PAF identifies those areas of spending within the budget which are particularly important for poverty reduction, and has planned and implemented a major restructuring of the budget, almost doubling the share of poverty spending from 17% in 1997/98 to 32% in the 2000/2001 budget, a share which Uganda expects to sustain.[19] This was achieved by earmarking HIPC savings and donor commitments against additional spending on PAF budget lines, with additionality measured in terms of increases from 1997/98 levels

The PAF has been extended since its inception in 1998/99, and now includes all of the major poverty-sensitive expenditures identified within the Government poverty eradication action plan. For example, it includes primary education, the delivery of an essential package of primary and preventive health services, clean water and sanitation, rural feeder roads, some agricultural services, and expenditures on monitoring and evaluation of poverty programmes. The categories are based on the thorough analysis of the poverty problem, and what Government can do to reduce it, which is captured in the PEAP. The criteria for eligibility for inclusion in the PAF were refined and promulgated in 2001 (Box 4). They are quite demanding, and are based on requiring a direct link between the specific expenditures and benefits to the poor. It is not clear that all of the existing PAF eligible spending categories comply fully with these criteria. It is also at least debatable whether the poor benefit most from direct spending to provide them with services, or from spending which generates economic growth needed to sustain those services. The issue is acknowledged within Government, and there has been some discussion of whether a category of indirectly poverty reducing expenditure should also be recognised. The main defence for the approach taken is that

[19] Bevan, op cit. Though the programmes defined in the PAF have expanded over time, the figures quoted are consistent, and relate to the share in total spending of those programmes currently defined as eligible for the PAF. The percentages are calculated as shares of total expenditure excluding donor project expenditures.

directly poverty reducing expenditure started from a low baseline share, and there was a strong case for addressing a previous anti-poor bias in the pattern of expenditure

Box 4: Uganda Poverty Action Fund: Eligibility Criteria

For an intervention to qualify as a PAF programme it must meet all of the following four criteria:
It is in the Poverty Eradication Action Plan.
It is directly poverty reducing (raising incomes or improving the quality of life of the poor).
It is delivering a service to the poor (it addresses the needs of the poorest 20%, and is accessible to them recognising barriers of e.g. cost)
There is a well developed plan for the programme (a costed strategy with clear monitorable targets)

Source: Government of Uganda, Ministry of Finance and Economic Planning (2001), Eligibility Criteria and Qualification Process for PAF programmes (April)

Though PAF expenditures are fully integrated within the budget, the arrangement ensures that they are ring-fenced and protected from budget cuts. If resources allocated to a PAF eligible budget line cannot be fully spent within the year, they must either be reallocated to other PAF eligible expenditures or saved. They cannot be used for non-PAF spending. In addition to specific donor and HIPC funds added to the 1997/98 baseline figure, Government has also substantially increased the size of the PAF from its own resources, and the MTEF envisages further increasing the share funded by Government (Table 1). Government has consistently met the commitment to release funding for the PAF budget lines more or less in full, even when non-PAF expenditures were being severely cut. The protection of PAF expenditures against budget cuts applies equally to the donor and GOU funded share of the total. Thus, the introduction of the PAF from 1998/99 gave the MFPED not only a mechanism to demonstrate to outside constituents that additional resources were indeed going in to poverty programmes, but also a vehicle which MFPED could use to encourage Line Ministries to prioritise poverty in their sector budget bids, because of the protection which PAF programmes received.

Table 1: Trends in Domestic and Foreign Finance, and their Impact on Spending

	2000/01 Budget	2001/02 Projected	2002/03 Projected
1997/98 Baseline	29	26	22
Additional GOU	6	19	26
Total GOU	**35**	**44**	**48**
HIPC	34	29	25
Gen. Donor	11	8	7
Earmarked Donor	19	18	20
Total	**100**	**100**	**100**

Source: Poverty Action Fund, Quarterly Financial Report.

2.5 Poverty and the changing pattern of public expenditure

The priorities which emerged from the 1995-97 PEAP process were reflected in the Background to the Budget documents which accompanied budget speeches in 1996/97 and 1997/98. They included Universal Primary Education, road maintenance, agricultural modernisation, primary health care and promotion of the private sector. Budget allocations to each of the priorities identified were to increase at least as fast as nominal GDP, implying at minimum no decline in the share of GDP spent on them.

Table 2 shows the development of sectoral shares since 1994/95, and plans in the current MTEF. In spite of the continuing problems in the North and on Uganda's borders and involvement in the Congo, the share of defence expenditure has fallen sharply since 1998/99 when it briefly touched 20%, and is planned to decline further. Government are committed to ensuring that security expenditure will be no more than 2% of GDP, partly by improving efficiency in delivery of security, for which technical assistance has been sought from the UK.[20] The share of defence, law and order, public administration, and interest payments has been cut, in order to accommodate big increases in roads and in the education sector. The share of the health sector has been falling, but is planned to increase from 2000/01.

Table 2: Sectoral Composition of Government Expenditure (excluding project aid)

	1994/95 Outturn	1999/00 Outturn	2000/01 Budget	2001/02 MTEF	2002/03 MTEF	2003/04 MTEF
Roads & Works	4.4	8.2	9.2	9.0	8.8	8.6
Agriculture	2.6	1.4	1.6	1.5	1.5	1.4
Education	19.8	26.2	26.7	26.2	26.5	26.8
Health	8.0	6.4	7.7	8.4	10.0	10.5
Water		1.3	2.4	2.4	2.3	2.2
Defence	19.6	15.6	13.9	13.7	13.3	13.2
Law and Order	8.9	7.4	6.3	6.1	5.9	5.9
Accountability		0.6	1.1	1.1	1.2	1.2
Economic Functions	8.7	4.6	6.3	6.1	6.3	6.3
Public Administration	20.1	20.5	17.6	18.3	17.0	16.7
Interest payments	8.0	7.7	7.1	7.2	7.3	7.2
All sectors	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Bevan and Palomba, Oct 2000; MFEP Macroeconomics Dept, Jan 2001.

Looking at overall sector shares understates the extent to which expenditure priorities have shifted in a pro-poor direction. Table 3 looks at the proportion of sector and total expenditures which have been devoted to the poverty action fund. Within the health sector, only the essential services package of primary and preventive health services is PAF eligible. The share of the health budget spent on PAF increased from negligible levels to reach two thirds of total health expenditures. Despite a declining overall health share, the share of total Government spending devoted to PAF eligible health spending quadrupled to 2% in the first year of the PAF, has doubled again to 4% of the 2000/2001 budget, and is planned to reach 6% by the end of the current MTEF. This has been achieved by capping budget allocations to the teaching hospitals. There has also been a big increase in the PAF share in economic and social spending, mainly reflecting increased Government expenditure on water and sanitation, a sector which was previously almost exclusively funded from donor project aid. Within the roads sector, the rural feeder roads programme is part of the PAF while the main roads programme is not, though they clearly complement each other, since a feeder road not connected to markets via a main road is of limited value.

Within the agriculture sector, there has been a re-orientation of spending towards poverty relevant programmes which has permitted a rapid increase in spending, albeit from very low levels.

The draft Volume 3 of the PEAP includes a useful analysis of sector shares including and excluding donor project flows outside the budget, and shows that donor projects have a significant influence

20 Government of Uganda (2001).

on the pattern of expenditure (Table 4). Two thirds of expenditure in the agriculture sector is donor project funded, and the share of agriculture including donor projects is raised to 4.1%, which modifies the conclusion that agriculture has been grossly neglected. In the health sector, it is notable that the planned increase in on-budget expenditures under the health sector strategic plan needs to be offset by reduced project flows as donors projects are brought within the budget: the overall share does not increase on current plans once this adjustment is made.

Table 3: Trends in Spending by Sector (% of Government Expenditure)

	1994/95 Out-turn	1997/98 Outturn	1998/99 Out-turn	1999/00 Out-turn	2000/01 Budget	2001/02 MTEF	2002/03 MTEF
Roads & Works		4.9	6.2	8.2	9.2	8.9	8.6
o.w.PAF		1.0	1.98	1.99	2.03	2.00	1.97
PAF %		(21)	(32)	(24)	(22)	(22)	(23)
Agriculture		1.1	1.0	1.4	1.6	1.6	1.5
o.w.PAF		0.1	0.0	0.3	0.5	0.6	0.5
PAF %		(6)	(2)	(24)	(34)	(35)	(35)
Education		26.0	26.9	26.0	26.8	26.3	26.6
o.w.PAF		14.7	16.6	17.1	18.3	17.6	17.8
PAF %		(57)	(62)	(66)	(68)	(67)	(67)
Health		6.6	6.7	6.3	7.6	8.4	10.0
o.w.PAF		0.5	2.0	1.7	4.1	5.0	6.7
PAF %		(8)	(30)	(27)	(53)	(59)	(67)
Economic & Social		4.6	4.0	5.9	8.7	8.6	8.7
o.w.PAF		0.5	1.3	2.2	4.4	4.9	5.3
PAF %		(11)	(32)	(37)	(51)	(58)	(61)
Total PAF Share		17.3	22.7	24.4	30.5	31.0	33.2

Source: Calculated from Table 1 and Table 3 of Bevan and Palomba (2000).
Notes: Total expenditure excludes externally financed development expenditures (i.e. project support), arrears, and promissory notes. PAF figures are for all categories of spending which were subsequently absorbed in the PAF, and are therefore consistent across time. Total PAF share includes categories of PAF spending not covered in the sectoral breakdown, and therefore exceeds the sum of the sector shares.

To summarise, Uganda has achieved over a short period of time a substantial re-orientation of expenditure patterns in favour of programmes to increase the incomes or improve the quality of life of poor people, as identified in the poverty eradication action plan. Within those sectors, notably education, in which a substantial share of budgetary expenditures were already devoted to poverty reduction, this has entailed a substantial increase in budget share. Within sectors, such as health and agriculture, where the focus on PEAP priorities was initially weak, there has been a substantial pro-poor re-orientation of priorities within the sector. The actual allocation pattern between sectors is strongly influenced by the pattern of donor project commitments: it is therefore important to have good information on how these are changing, especially as project flows are brought within the budget as the sector programmes improve their coverage.

The planned allocation of expenditure largely reflects the needs identified in the PEAP, and the current capacity of Government to address them. The 2001 poverty status report recognises that progress has been uneven across the four PEAP pillars, and points to the need to give increased priority to actions to increase the incomes of the poor, and to address security and governance concerns in general, and in the North more particularly. There is a case for increased expenditure on health, on water and sanitation, and on agricultural services in the medium term, but Government recognises a need for further work to develop effective plans and institutional capacity before voting large increases in the budget.

Table 4: Sector Shares of public expenditure, including and excluding donor projects

	1999/2000 Budgeted		2002/2003 MTEF Forecasts	
Sector	Excl. Projects	Incl. Projects	Excl. Projects	Incl. Projects
Security	15	11	13	9
Roads and Works	8	13	9	14
Agriculture	1	4	2	5
Education	27	21	26	20
Health	7	11	10	9
Justice, law & order	7	5	6	4
Econ, social, water	8	16	9	21
Public admin	20	14	18	13
Interest	7	5	7	5
Total	100	100	100	100
Line Ministries	58		55	
Districts	29		36	
Other	13		9	
Total	100			

Source: Adapted from Draft of PEAP Volume 3, Table 2.

The 2001 Poverty Status Report also recognises the implications of new household survey data showing the extent of the increase in poverty in the Northern areas affected by insecurity, and envisages 'possibly greater geographical targeting of public resources to address the widening regional inequalities.'

2.6 Affordability of the Poverty Eradication Action Plan

The PEAP targets are ambitious, and include for example:

- Achieving and maintaining universal primary education while reducing pupil teacher ratios to 48 and paying teachers 77% more;
- Doubling the coverage of health facilities to one fully staffed in every parish, raising immunisation coverage from 33% to 80% by 2003, and slashing child and maternal mortality;
- Achieving 100% coverage of safe water in 15 years, compared to around half that level now.
- Fully rehabilitating within 5 years the rural road network, and then maintaining it.
- Agricultural advisers to reach 80% of households, rather than 15-20% now.

As part of the Government's Long Term Expenditure Framework (LTEF) an initial attempt has been made to cost the public expenditure implications of the PEAP. The costs are indicative, and will need to be refined over time. If the proposed pay reform increases were to be awarded immediately in full and if provision were made for other incremental recurrent costs and for every capital programme, assuming an even rate of spending over the five to ten year period envisaged, then total expenditure would need to increase by 60% or some $750 million above what is currently provided in the 2000/01 budget. The big-ticket items include primary education, which is expected to require one third of the additional funds in order to achieve targets for classrooms, pupil teacher ratios, teacher pay, and textbooks. Health requires major increases to provide for investment in new and rehabilitated health facilities and to provide for their staffing and for pay reform. Water requires significant increases to close the gap between universal access to safe water and the 75% coverage that could be achieved in ten years if existing funding levels are maintained.

The PEAP compares this level of increased expenditure with the growth of resources. Achieving the target within 10 years would require GDP growth of at least 7% per annum, steady progress in raising the tax-GDP ratio, and continued growth in aid receipts at rates faster than likely economic growth in the donor countries. Countries which have sustained such high economic growth have typically invested 30% of GDP rather than the 20% level in Uganda, tax revenues have shown no tendency to improve their share in recent years, and there must be limits to the scope for Uganda to raise its share of a global aid total which has been shrinking. Prospects for the global economy and for the terms of trade have also worsened. Not surprisingly, the conclusion is that the PEAP will need to be prioritised and phased.

It is essential to estimate the costs of achieving the targets as part of a prioritisation exercise, and as part of the process of bidding for both domestic and foreign resources.[21] However, when it comes to budget planning, Uganda continues to adopt a cautious view of what can be afforded. The medium term expenditure framework derives its priorities from the PEAP, but the level of expenditure is based on a realistic assessment of resources rather than the needs-based assessment of the PEAP. The medium term budget framework assumes public expenditure will grow by less than 5% per annum over the MTEF period, reducing public expenditure to 20% of GDP, which is significantly below the sub-Saharan average of 28%.[22] The MTEF assumes a constant tax – GDP share, pending evidence of progress in improving tax administration. External assistance falls relative to GDP. (Table 5).

Table 5: Summary of Medium Term Budget Framework (Percent of GDP)

	Outturn 99/00	Budget 00/01	MTEF 2001/02	MTEF 2002/03	MTEF 2003/04
Resources required					
Total Expenditure	20.3	21.9	21.7	21.1	20.3
of which, PAF	3.4	4.7	4.9	5.2	5.3
Amortisation	1.4	1.3	1.3	1.4	1.4
Total	**21.7**	**23.2**	**23.0**	**22.5**	**21.7**
Financed By:					
Domestic Revenue	11.7	11.8	11.6	11.8	11.7
Budget Support	3.6	7.0	7.5	6.8	6.4
Project Assistance	6.3	6.3	6.0	5.5	5.0
Net Domestic finance	0.0	-1.9	-2.1	-1.6	-1.4
Total	**21.7**	**23.2**	**23.0**	**22.5**	**21.7**

Source: Provisional MTEF figures from MFPED Macroeconomics Department, Jan 2001

The availability of revenues in the hands of Government is not the only constraint on the implementation of the PEAP. The share of available capital and labour absorbed in Government

[21] Mackinnon, John and Ritva Reinikka (2001) have a helpful discussion of this issue.
[22] Bevan and Palomba (2000).

expenditure, and the implications for private sector growth, also need to be taken into account. Much of the donor expenditure is financing local costs. There are dangers that increased local cost spending will displace private sector activity, or will raise domestic prices and reduce competitiveness and growth (so called 'Dutch disease').[23] There are therefore questions concerning the contribution which local cost financing actually makes to growth and development. These issues are actively debated in Uganda. However, given the present and projected modest share of Government spending, the clear evidence of weak public services acting as a drag on private sector investment, and the record of rapid sustained growth, it seems reasonable to assume that spending is not yet at a level where crowding out private sector activity needs to be a major concern. This view is reinforced, at least in the medium term, by recent terms of trade deterioration and associated exchange rate depreciation.

[23] For a fuller discussion of this issue, see Foster and Naschold (2000).

3 How Effective Has Public Expenditure Been in Reaching The Poor with Improved Services?

3.1 Data limitations

The data we have been able to examine focuses more on issues of overall coverage than on access by the poor. Our assumption is that those without access to basic services are predominantly concentrated among the poor, and that improving the coverage of basic services will therefore disproportionately benefit the poor. This assumption is found to be true in the education sector, for which analysis is available.

3.2 Roads

The poorest communities are often the most isolated ones. The roads programme, which was the earliest focus of Government efforts on poverty reduction, has had some impact. The 10-year Road Sector Development Programme focuses on the rehabilitation, maintenance and selective upgrading of existing roads, with emphasis on main paved and gravel roads. The earliest effort was on the 'classified' roads, 70% of which are now in fair to good condition, compared to 50% of feeder roads. The average distance to a tarred road has fallen from 32 km in 1997 to 22 km in 1999/2000. The poverty status report states that 15,000 km from the 25,000 km of district feeder roads have been rehabilitated and improved. Communities on average live within 2 km of all-season feeder roads, and the effects of economic growth and of improved transport links are evident in improved access to matatu taxis, which the average community can now find within 6km compared to 9 km in 1997. The 2000 service delivery survey found that 65% of communities were of the view that public transport had improved over the previous 5 years, due to improved road maintenance.[24]

It is less clear whether improved transport links have improved competition and the terms of trade facing the rural poor. Consumer markets are available within 1 km in 85% of communities, but markets in which seeds, pangas and fertiliser can be bought are only available in 4% of communities, while 39% of farmers sell their produce to traders at the farm. Three quarters of farmers, both men and women, are dissatisfied with available markets according to the service delivery survey as reported in the poverty status report. Problems of poor access continue to be most serious in the North, where they both reflect and contribute to insecurity.

Although a substantial effort has been made on both the main roads and the feeder roads, sustainability remains an issue. The poverty status report says that adequate funding is now being made available to districts for the maintenance of district roads. With many feeder roads yet to be rehabilitated, however, districts have prioritised spending on the roads that are in the worst condition. The benefits of maintenance spending on roads requiring major rehabilitation are short-lived, while the consequence of not maintaining rehabilitated roads is that they sink back into a condition where they too require major expenditure to return them to maintainable condition. The risk is that the feeder road network will never reach the condition where it can be sustainably maintained with the resources available.

Attention is being given to introducing labour intensive approaches and to local participation in maintenance. Road maintenance can be a major source of income to poor and vulnerable groups. In Uganda, only 10% of those employed on the roads have been women. There is now a commitment to raise this to 30%.

[24] MFPED (2001).

3.3 Agriculture

Household survey data shows that 96% of the poor live in rural areas. Half of rural income derives directly from agriculture, mostly crop agriculture. Poverty has fallen fastest for cash crop farmers, but the percentage of foodcrop farmers below the poverty line, which showed little change 1992-96, has also fallen sharply, from 63% in 1996 to 46% in 2000. The main factors driving the change seem to have been improved producer prices following market liberalisation and improved transport. Real producer prices for coffee more than doubled between 1992 and 1999, and the share of farmers growing the crop increased from 16.4% to 27.5%, while the amounts grown per farmer also increased by 56%. The price of maize also increased by two thirds, prompting a huge increase in the proportion of farmers growing the crop from less than 30% to more than two thirds, while output per farmer has more than doubled.

Though output has increased and the mix of crops has changed in response to improved market conditions, there is little evidence of any significant improvement in agricultural technology, which continues to be based on hand cultivation using hoes and pangas. Only 6% of farmers use fertiliser, and only 13% use improved seed. Though land is relatively abundant in at least some areas, the prevailing technology limits farm sizes to an average of 4 ha per household in all regions. The benefits of market liberalisation were one-off, and the prospects for the international terms of trade are not encouraging for agricultural production, suggesting that sustaining or increasing the rate of growth of farm incomes will require improved farming methods and technology.

The insecurity-affected North is the only region where the share of the population in poverty has increased since 1997. With two thirds of the population below the poverty line, the North accounts for 37% of Uganda's poor. The poverty status report discusses the causes, most of which can be attributed directly to the insurgency. They include large numbers of internally displaced people, loss of assets and crops to raiding, 60% de-stocking, loss of economically active population to the conflict, effects on disability and health more generally, unwillingness of traders, extension staff and other key groups to work in the area, deterioration of economic and social infrastructure due to neglect or abandonment, rising HIV/AIDS (whereas it is declining elsewhere in Uganda), all resulting in a population able to cultivate smaller areas, marketing a smaller proportion of output on worse terms.

Though Government recognises the crucial importance of agriculture, it spends little directly on the sector, and the household survey figures reflect this. Agricultural support services remain scarce: 62% of communities surveyed reported that no farmers had received agricultural extension visits, and less than 20% of farmers are in contact with extension services.[25] Women have had less access than men.

Modernisation of the agricultural sector was identified as a priority in the 1996 election manifesto and in the PEAP. However, the agriculture ministry had not sufficiently developed a clear strategy and affordable investment plan to justify increased funding for the sector within the PEAP framework. Following the 1998 public expenditure review discussions, MFPED took the lead, together with donor partners, in developing a programme for the modernisation of agriculture which recognises that:

- The government has a limited role in support of private sector led agricultural development, intervening only where private markets would not operate effectively.

[25] UBOS (2001).

- Government's role in support of agriculture is by its nature cross-sectoral-economic and social infrastructure and financial services are as important as direct agricultural services.
- The problems of the sector are complex, multi-dimensional, and location specific, and require a bottom-up, participatory approach well informed by knowledge of the local situation.

The PMA had not been finalised at the time of our field work in January 2001, but the substantial preparatory work has placed a strong emphasis on being demand-led, with priorities to be established through facilitating participatory planning at local level. The key interventions include a major change in the approach to agricultural extension, and the development of non-sector specific conditional grants to support sustainable rural livelihoods. The National Agricultural Advisory Service, proposals for which have been approved by Cabinet, envisages replacing the current public–sector-led agricultural extension services with a system in which legally recognised farmer groups commission services from private and other non-Government providers. The conditional grants will work via a participatory methodology similar to that piloted by the District Development Project, to be facilitated by Community Development Assistants. Other critical interventions to support agriculture include the implementation of the Land Act to improve security of tenure especially for women, and promotion of micro-credit.

The problem of what to do about the agriculture sector is one which all of our case study countries face. The proposals in the PMA are innovative and have attracted a lot of international interest. However, they are also very challenging. At the time of writing in mid-2001, most of the proposals had yet to be implemented. The costs of fully implementing the provisions of the Land Act alone would exceed 10 times the annual agriculture sector budget. The management challenges of organising a new approach to agricultural extension are formidable, not only mobilising local participation and facilitating the development of farmer groups, but also promoting and regulating private sector service providers. The poverty status report recognises the difficulties, and refers to the gradual introduction of the new approach to extension, and recognises the need to find a cost-effective approach to resolving issues under the Land Act.

3.4 Education

The recent household survey data shows that the UPE policy resulted in a substantial increase in primary enrolments, from 63% of the relevant age group in 1992, to 84% in 1997. The increased enrolment has subsequently fallen back to 76% in 2000. The small gender bias in enrolments in 1992 has been virtually eliminated. The poor, who were previously over-represented among those not attending school, have benefited more than proportionately. The enrolment rate for children from the poorest quintile of the expenditure distribution has increased from just 50% in 1992 (82% of the national average), to 78% in 1997 (93% of the national average), before falling back to 69% in 2000, still 90% of the national enrolment rate. The high cost of schooling remains the leading cause of drop out from primary school, but the increased enrolment of children from low income households and the narrowing of the enrolment gap between rich and poor shows that the cost barrier is now far lower than in 1992, when households met more than half the cost of schooling.[26] Some of the cost fears are based on misinformation, for example inability to afford a school uniform, though the Government policy is that no child should be excluded for lack of a uniform[27].

The World Bank, DFID and other donors provided early support to developing an education sector programme, to help in financing the additional classrooms, recruiting and training the additional

[26] Deininger (2001a). Also, UBOS (2001a)., and MFPED 2001.
[27] MFPED, 2001.

teachers, and making available at school level the additional resources needed to cope with the consequences of increased enrolments while sustaining and improving the quality of education. The education sector programme, and the World Bank PRSC, establish targets to be achieved by May 2003: reducing the pupil-teacher ratio (from 63 to 48), the pupil-classroom ratio (from 121 to 92), and the pupil-textbook ratio (from an appalling 6:1 to a still grossly inadequate 3:1).

The effort to construct more classrooms is reflected in a decline in average distance to school, from 1.8 km in 1992 to 1.4 km in 1999, with the proportion of classrooms in good condition increased from 10% to 25%. This partly reflects the classroom construction effort, but may also indicate that the ending of school fees released community resources to improve the fabric of the school buildings. It may also indicate the success of the conditional grant system in ensuring that resources intended to reach the school are actually spent there. The 2000 tracking study found 90% of funds intended for expenditure at school level are now reaching their intended schools, though there are question marks over how they are used and accounted for at school level.[28] This represents a big improvement on the 1996 tracking study and the 1998 education audit, both of which found long delays and a large share of the funds being held back.[29]

The big increase in enrolments has not been matched by an increase in teachers, with the result that Uganda now has some of the largest class sizes in the world. Books, a key quality-enhancing input, are in very short supply, with one book between six, which can be compared with India, where a less costly school system manages to provide a full set of textbooks for every primary pupil.

The quality effects of UPE are not yet apparent, though the PRSP acknowledges some evidence of declining quality: ‘While the 1998 National Integrity Survey found that 60 percent of parents were satisfied with the quality of their children's education, the UPPAP investigation found widespread concern with schooling quality among the poor communities contacted. This is borne out by more formal investigations of schooling quality. The heavily burdened primary schooling system cannot meet the immediate demands for classrooms, teachers, and teaching/learning materials.’[30] Tests at grade 3 confirm a decline in performance when comparing the first post-UPE cohort with their pre-UPE predecessors. In comparable tests, the proportion who scored satisfactorily in mathematics fell from 48% in 1996 to 31% in 1999, while in English the figures dropped from 92% to 56%.

On the other hand, the percentage of children passing the primary leaving examination after the full primary cycle has increased, from 72% in 1995 to 81% in 1999. These results reflect pre-UPE education experience, but they may tend to suggest that it is the overcrowding in the lower cohorts of the school system which is primarily to blame for the worsening performance. There are many over-age children enrolled as a consequence of the UPE policy. A combination of new teacher recruitment and probable falling enrolments as over-age children work their way through the system offers hope for re-building quality within the education system.

The problems of the quality of education, will be worsened by the decision to double the number of subjects in the school curriculum. This is arguably a poor choice of priorities in a system which is struggling to impart basic literacy and numeracy in the face of acute shortages of teachers, books, and classrooms.

The effects of the education investment on income poverty and productivity are more difficult to assess. Cross-section household survey data does appear to show a positive association of the education level achieved by the household head and the expenditure of the household. However, this could reflect the fact that education, before UPE, was a luxury good, from which the poor were

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[28] MES (2000).
[29] Price Waterhouse (1998).
[30] Poverty Reduction Strategy Paper, op cit.

excluded on cost grounds: the causality may run from income to education as a consumer good, not from education to income. A preliminary analysis of panel data from 1992 and 1999/2000 appears to show no relationship between the 1992 level of education of the household head and subsequent growth in household expenditure. Part of the problem may be lack of opportunities to utilise education: it is interesting that the conflict affected North reports far higher levels of non-attendance at school due to 'lack of interest', which may reflect recognition of lack of opportunities.

3.5 Health sector

Ill health was the most frequently cited cause and consequence of poverty within the UPPAP study. The PRSP also quotes figures suggesting that the poor suffer disproportionately, for example under-three mortality declined significantly for higher income groups between 1988 and 1995, but the poorest groups showed negligible improvement.[31] The PRSP also recognises that higher incomes, better educational attainment for women, and improved water and sanitation services may be the most critical interventions for narrowing the gap between the health status of the poor and the more wealthy. Nevertheless, the poverty action plan does accord an important role to the provision of health services.

In the mid-1990s, the quality of Government health services was extremely poor. The 1996 tracking survey showed low utilisation of a system in which poorly qualified and motivated staff offered few services, while drugs and other materials were diverted to private practice. Primary health spending had plummeted since decentralisation, with local Government administration absorbing budget resources intended for health services. Government spending was dominated by curative care.

The Minister of Health decided on the need for a new health policy and strategic plan in late 1997, with increased emphasis placed on improved equity of resource allocation, and with recognition of the need for improved Government and donor co-ordination around a common strategy. The plan focuses on preventive and primary health care interventions aimed at the ten major causes which are responsible for three quarters of lost life years. Over two thirds of public health expenditures are targeted to be spent on the minimum health care package, of which 80% will be for recurrent costs.

The Health Sector Strategic Plan required a long process of consultation. It was not finalised with funding secured until 2000, and was launched in the 2000-2001 financial year.[32] However, some of the key policy changes were being put in place before the formal launching of the HSSP. A key component of the new health policy is the creation of health sub-districts (HSDs) – each with either an upgraded health centre (adding on a theatre, doctor's house and better lab) or a hospital (where one exists), which will both act as an interim referral level (between outpatient clinics and district hospital) and be responsible for planning, budgeting, managing and supervising all health centres and outreach services in the catchment area. There is also a target to double the coverage of first-level health facilities to one fully staffed in every parish. A key focus has been to raise staffing levels from the 33% level to which they had sunk (partly through a lunch allowance designed to raise pay levels).

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Resources from Government and donors are not expected to exceed $6.50 per capita during the life of the HSSP, far short of the level required to provide even the minimum health package to all. Discussion with donors focused, among other issues, on the balance between improving the utilisation of existing health facilities from current very low levels, relative to expanding coverage

[31] PRSP op cit, table 2.4.

[32] Brown (2000).

to unserved populations, a political imperative for Government, as well as a poverty priority if the least served districts are also the poorest.

Comparing household survey data from 1992 (before decentralisation and the collapse of PHC spending) and 1999/2000, shows some improvements. The average community now has a better maintained clinic (percentage 'well maintained' up from 30% to 59%), closer to the community centre (average distance from 6.7 to 4.6 km - though half the population is still more than 5km from a health facility), slightly better stocked with drugs, bandages, needles and vaccines, and with access to a doctor also marginally improved. Under a DANIDA programme, essential drug supplies are provided quarterly to each district. There have been delays, but the primary health care conditional grant has enabled districts to overcome emergencies by purchasing on their own behalf from the private sector.[33]

The pattern of utilisation of services is difficult to interpret. The proportion of the population receiving medical services from modern medical facilities when ill appears to have increased from 63% in 1992 to 78% in 1999,[34] but two thirds of the demand is met by private or NGO facilities. Even for the poorest quintile, roughly one third of those reporting illness or injury used private services, compared to 24% using Government, and 43% not seeking help. The poverty status report shows a marginal increase in those using Government health facilities when sick, from 19% in 1992 to 23% in 2000. Poverty Action Fund monitoring suggests that utilisation has increased markedly where staff have been recruited.[35]

Use of pre-natal care has increased from 74% to 80%, post natal from 42% to 49%. The proportion of births attended by trained medical personnel has stagnated at 38%. Immunisation coverage has suffered from the dropping of many vaccinators from district payrolls after decentralisation, logistical problems associated with an ageing cold chain, and negative publicity about immunisation. Other than for polio, immunisation coverage seems to have stagnated or fallen since 1995/96. Only 38% of children are reported as fully immunised by their 1st birthday.[36] The poverty status report suggests there may have been some improvement during 2000/2001, though the figures still suggest that half of children are not fully immunised.

The evidence on outcomes is generally discouraging. Preliminary results from the 2001 DHS survey show that U5MR has increased from 147 in 1995 to 152 in 2001, while IMR has grown from 81 to 88. The incidence of stunting and underweight children has fallen, possibly reflecting the benefits of higher household expenditure, though overall reporting of illness and of days lost to illness has increased, possibly reflecting the impact of HIV and of drug resistant-malaria, and increased health demand by a wealthier population[37].

The most significant achievement is the reduction in HIV, where infection rates have halved nationally, mainly due to a rapid fall in urban areas, thanks to a relentless public education campaign on behaviour change which was largely led by the health sector. Recent MoH surveillance data and MRC studies suggest that HIV infection rates are now reducing in rural areas too.[38] With 10% of the adult population HIV infected, AIDS is the leading cause of death among 15-49 year olds, and has contributed to the growth of orphans, with 1.7 million children estimated to have lost one or both parents to the disease.

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[33] Poverty Action Fund (1999).
[34] Deininger (2001).
[35] Poverty Action Fund (1999).
[36] Preliminary data from DHS 2000/01.
[37] Deininger (2001).
[38] MFPED 2001, and Ros Cooper, personal communication.

The participatory poverty assessment, the household survey, and the service delivery survey, identified cost as a major constraint to accessing health services. Some 43% of rural dwellers not seeking health care gave lack of money as the reason.[39] The Government had therefore decided to abolish user fees in facilities at sub-district level and below from July 2001, and had budgeted for extra funds to meet the shortfall. However, the change was brought forward to March 2001 (whereas the budget increase was only provided from July), and the policy was extended to abolition of all user fees except for private wings in hospitals.

It is too early to fully assess the impact, but anecdotal evidence collected in the sector review suggests a large increase in demand for services, with staff reporting the majority of the new patients as drawn from the poor. The nature of the demand is also reported as changing in a positive way, with patients seeking treatment at a much earlier stage, which increases the chances of recovery and reduces the costs of achieving a successful outcome. The initial increase in demand was not sustained once facilities began to run out of drugs.

The intention is to overcome this problem by increased budgets through the Poverty Action Fund. The direct loss of revenue from the lower levels of the system was not that significant, though the need to meet the increased demand following removal of the cost barrier will present more of a budget challenge. Nevertheless, those within the system judge that the welcome increase in the utilisation of facilities at sub-district level and below should be manageable with the increased budget made available.

The bigger problem is that user charges have also been abolished at hospital level. The sustainability of the shift towards primary care which has been achieved must be in doubt if the hospitals are now denied access to funds from cost recovery. The hospitals do not get PAF funds, and had come to rely much more heavily on user fees to finance drugs and staff. The budget for health has been increased in order to make up for the shortfall in funding, but the increase may not be sufficient.

Overall, there is some limited evidence of improved performance of the health sector as a consequence of re-orientation towards primary health care, with good prospects for further advances as the HSSP focuses both Government and donor flows on a coherent, poverty focused programme. However, given the constrained level of finance, a blanket 100% subsidy of Government services does not look sustainable, unless Government services are to be severely rationed in a way that is unlikely to lead to effective services which benefit the poor. Though the financing problem may be manageable in the short term, the contradictions in trying to deliver the full ESP package with grossly inadequate funds will become increasingly evident as coverage expands from currently low levels. If the poor are to benefit, a strong focus on public health and preventive interventions may need to be accompanied by some continued reliance on private contributions, but with more transparency on prices charged and services offered, and attention to eliminating or minimising the burden of charges on the poorest.

3.6 Water and sanitation.

Although the key sector goal to ensure that water was within easy reach of 75% of the rural population by the year 2000 has not been met, there has been substantial progress. According to officials in the water sector, between 1991 and 1995, they doubled coverage from 18% to 36%. The 1999/2000 household survey found that this had further increased, and 57% of all households in Uganda now have access to safe drinking water, 51% in rural areas and 87% in urban areas.

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[39] Deininger (2001).

The water sector has traditionally been funded mainly from donor project aid. The identification of water and sanitation as a key sector in poverty eradication following the 1998/99 participatory poverty assessment has seen a substantial increase in resource allocation to this sector. The entire funding for the water sector is within the Poverty Action Fund The allocation to water and sanitation has increased from less than 4bn Shillings in 1997/98 to 18bn in 1999/00, and a budgeted 36bn in 2000/01, with further increases planned in the later years of the MTEF. In addition to conditional grants there are a number of donor-assisted programmes and projects in this sector that will continue into the medium term in spite of the general move from project to sector budget support. These include various water and sanitation programmes supported by different donors like the French, the EU and DANIDA. The water sector share is not separately identified in Table 4, but the increase in the share of economic functions and social services, of which it forms the largest component, suggests that there is an overall increase in share even after allowing for incorporation of previous project assistance within PAF programmes. The current MTEF envisages a sharp increase in funding for raising the coverage of safe water.

The experience with donor project support has been of capacity problems preventing full utilisation of funds. The requirement for a cash contribution from communities has also been a constraint on scheme implementation, especially in the poorest areas. Expenditure averaged about 60% of the budget for the period 1997 to 1999. In order to overcome this problem, increased use is being made of private sector contractors for drilling boreholes, a practice which has significantly improved on the output compared to the in-house strategy.

A key problem is inadequate maintenance, leading 30-40% of boreholes to be non-operational. According to the poverty status report, at least half of the districts have established fully staffed district water and sanitation teams to strengthen the capacity for maintenance in rural areas.

3.7 Summary

Summarising, Government can point to some real achievements in making improved services available to the population, including the poor. Road access has improved. Reduction in the poverty and gender bias in primary enrolment is a major achievement, though sustaining this performance will require efforts to raise quality. Access and utilisation of modern health services and of safe water has improved. Each of these sectors continue to face major problems of poor quality, lack of capacity and of staff recruitment and motivation, and maintenance is a major challenge for roads and water facilities. Nevertheless, there is clear evidence that increased expenditure on poverty programmes has brought increased benefits to the poor. Government’s own poverty status report is very clear in recognising where the problems are that need to be addressed, which is perhaps one of the more encouraging features of the experience.

4 What Accounts for Relative Success or Failure?

Annex 1 provides a matrix summary of the research hypotheses we set out to investigate, and brief comments on the Uganda experience. They are organised around three thematic areas: institutions, information, and participation. This section provides more detailed discussion aimed at understanding and explaining the strengths and weaknesses of the treatment of poverty in public expenditure in Uganda.

4.1 Institutions

Budget processes

The Uganda experience can be summarised as one in which a top leadership which 'is highly committed to poverty reduction'[40] has built an increasingly effective planning and budget process to allocate resources to poverty, and has begun to make progress on the more difficult challenge of ensuring that those resources can be used effectively. There has been consistency between statements by the President and other Government members, the content of budget speeches, the emphasis given to poverty in policy documents (notably the PEAP), and actual budget allocations.

Though macro stability has been maintained since 1992, the actual pattern of expenditure in the mid-1990s diverged significantly from the budget, with some areas of the budget (e.g. State House) regularly overspending while others (e.g. agriculture) underspent.[41] There is evidence that this has recently improved, with a far closer correspondence between sectoral budgets and outturns in 1999/00 than in previous years.[42] The long-standing problem of departments over-committing their budgets and pre-empting budget choices by incurring payments arrears has been effectively tackled by a new commitment control system introduced in 1999 with IMF technical assistance. The tendency to over-optimistic revenue forecasts has also been checked: the revenue authority targets, which aim for increased tax as a share of GDP, have now been divorced from budget assumptions, which take a more conservative view based on past performance**.**

Protecting from budget cuts those expenditure programmes regarded as deserving high national priority has proved a strong incentive, and all departments have responded by increasing the share of their budgets allocated to PAF (Table 3). Greater budget certainty has also facilitated a more credible planning and budget process for PAF spending.[43]

The corollary has been that expenditure cuts have fallen heavily on those areas of the budget which are not protected. PAF protects one third of the budget from cuts. A large share of the remaining budget is difficult to cut in the short term (e.g. pay or debt service obligations), or protected by donor conditions (main roads), or is politically sensitive (defence and State House). Cuts therefore fall heavily on what is left. Though much of this can be judged to deserve lower priority, there are also important spending programmes such as secondary education, which faced a cut in releases to only 40% of budget towards the end of 2000. It would be technically feasible to allocate cuts more efficiently to minimise the costs of disruption which result when, for example, project staff are left idle for lack of the budget to do their jobs. However, most of our interviewees felt that in practice

[40] Mackinnon and Reinikka (2000).
[41] Allister (1997).
[42] Bevan and Palomba (2000).
[43] Makinnon and Reinikka (2000) make the same point.

the automatic protection afforded by the PAF produced a better result than the alternative of a more discretionary process which would risk being influenced by political and interest group pressures.

The combination of the planning and finance roles within a single Ministry has enabled the MFPED to play a leading role in ensuring that the criteria and the priorities established by the PEAP are reflected in the allocation of the budget. The PEAP includes criteria for public intervention which have proved quite powerful as a tool for the scrutiny of budget bids from line ministries:

- The public sector’s role is to intervene in areas where markets function poorly or would produce very inequitable outcomes.
- Where the public sector intervenes, it should use the most cost-effective methods, including the use of NGOs for service delivery where appropriate.
- Poverty-eradication is a partnership, and should involve the closest possible integration of the efforts of government with its development partners.
- All government policies should reflect the importance of distributional considerations, of gender, of children's rights, and of environmental impacts.
- Each area of public action will be guided by the formulation of desired outcomes, and the design of inputs and outputs to promote them.

The budget ceilings in the MTEF have consistently favoured those departments which not only increased the priority given to poverty reduction priorities of the PEAP, but which did so in a way which respects these criteria for public intervention.

Education has been the main beneficiary of increased Government spending. This has largely been driven by the unexpectedly large impact of the UPE policy on enrolments. Nevertheless, the education ministry did put together a credible plan in partnership with donors, focusing Government spending on the primary level where market failures are most acute, while facilitating private finance to fund a tripling of University enrolment. The Ministry introduced a more cost-effective and decentralised approach to school construction, responded to evidence on problems in getting resources down to school level by designing conditional grants which go direct to the school, and introduced mandatory publicity on what moneys have been released for what purpose, in order to empower communities to hold officials to account.

Agriculture in contrast provides an example of how a line ministry which should have an important role in supporting the growth agenda of the PEAP proved initially unable to define a role which respected the PEAP criteria for public intervention, and faced declining budget shares and eventually a brief loss of the leadership role in relation to the sector it was responsible for. The health ministry similarly had to work with donor partners to define a sector strategy to address both the inequitable allocation of resources and problems of low effectiveness relative to NGO and private sector service providers before additional resources began to be allocated.

The MFPED approach towards the line ministries has been to convince them that they must live within the budget they have been allocated, give them the appropriate incentives to implement policies in line with national objectives, but gradually increase their discretion to make choices within the budget. The medium term budget framework facilitates this, since there is more scope for reallocation in the outer years where existing commitments are lower. As the MTEF budget ceilings gain in credibility, even those sectors which are losing share of the budget are recognising that there is no way to escape the budget ceilings, and they have to make efficient use of the budget they have been allocated. Not all of them are yet pursuing cost reductions and efficiency improvements, but there are some encouraging signs, such as a recent emphasis on reforms to increase the effectiveness of expenditures in the security sector. For the 2001/2002 budget year, the security sector has for the first time produced a budget framework paper.

Ministries have not so far had the discretion to choose between the salary and non-salary recurrent budget, since the Ministry of Public Service determines both establishment ceilings and civil service pay scales. In the current budget round (2001/2002), Ministries are being encouraged in their budget framework papers to comment at least on the balance between salary and non-salary costs, and on pay and employment issues.

Cabinet and Parliament

The credibility of MFPED depends on political support for the principles it is seeking to protect. The Cabinet has largely accepted the disciplines of the budget constraint, and has not challenged the need to live within the resource envelope prescribed by the MFPED. The Cabinet budget process appears to be collective and orderly. Line Ministry budget bids indicate unfunded priorities, taken forward for subsequent decision by Cabinet on which of these may be afforded from any surplus resources or from contingencies.

The election period saw some promises made by politicians without consultation on their affordability: for example, the Prime Minister committed the Government to a 70% increase in teacher salaries. However, although the new Government will need to decide how to accommodate the commitments made, the principle that such commitments must be accommodated within a budget 'envelope' approved by MFPED has remained intact. Moreover, the evidence suggests that the process has so far been managed in a way that has protected PEAP priorities.

Part of the explanation for this may be that Uganda has sustained economic growth, and the allocation decisions have concerned how best to allocate a growing budget, rather than requiring deep cuts. Part is the conditionality of the HIPC and donor resources. Part may be the memories of the consequences of the 1992 loss of fiscal control. More optimistically, there may be a genuine consensus on the objectives of the PEAP.

The role of Parliament in the process is circumscribed by the Constitution: it cannot propose measures which would increase taxation or expenditure unless they are first introduced by the Government, and thus (unlike in the US system), it has only the negative power to refuse to approve budget proposals by the executive.[44] The decentralisation of spending to local Government based on specific allocation formulae has also reduced the potential for MPs to lobby for additional resources for their constituencies, and one view is that their focus has instead been more helpfully shifted towards ensuring that moneys reach their constituency on time and projects are properly implemented. Perhaps as a consequence of the limited scope for influence, MFPED have complained that Parliament takes little constructive interest in the budget process. A Budget Office has been set up within Parliament to support MPs with research and analysis.

Aid donors

With aid financing more than half of public expenditure (Table 6), the ability of GoU to implement any coherent strategy for improving the focus on poverty reduction is dependent on the cooperation of the donors.

Uganda carefully constructed a strong case for qualifying for enhanced HIPC debt relief, and a strong case for direct donor budget support, based on a commitment to identify poverty priorities within the budget, to allocate HIPC funds and donor budget support to increasing budget provision for those expenditures above a 1997/98 baseline, and to protect them from cuts. Donors were invited to play a prominent role in the planning, budgeting and monitoring process through participation in PAF monitoring meetings, in the Poverty Eradication Working Group, and in the

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[44] Bakibinga and Bagonza (2000).

discussions within the sector working groups. It is important to recognise that the important role that the donors have played in sustaining the priority accorded to poverty issues has not been imposed from outside. It has been designed by MFPED, partly to secure better coordination of Government and donor efforts, but also as a way for reformers within Government to protect poverty priorities from other pressures. The experience of other countries suggests that it may be difficult to achieve such a transparent and effective process without Government leadership.

The approach has achieved some success in encouraging donors to support Government programmes rather than parallel donor projects. The share of budget support in external finance to Uganda has increased from one third of external assistance in 1998/99, to more than half in 2000/2001, and it is projected to rise to 55% of external assistance in 2001/2002. Nevertheless, the bulk of donor project support continues to be provided outside the framework of the MTEF, which mainly covers the recurrent budget (a large part of which is now donor financed) and the relatively small domestic component of the development budget. Donor projects are reported and monitored as far as possible, and they are subject to approval by a Development Committee, but that approval has historically not been a serious constraint in cases where a sector is able to secure a donor commitment to fund the project. This limits the effectiveness of the hard budget constraint.

Uganda is overcoming the problem in part through extending the sector programme approach, and encouraging donors to commit their funding as part of the agreed sector programmes. The draft Volume 3 of the PEAP argues that 'ultimately, all public expenditure should be fully included within a sectoral approach.' Cross-cutting themes, such as environment and lands, may be treated as sectors for the budget process in future – though the experience of cross-ministry sector programmes in other countries is not encouraging, especially where there is potential for turf battles over budget shares.[45] The sector approach will be extended to central ministries such as MOLG, MFPED and MOPS. It could ensure harmonisation of initiatives ex ante rather than ex post, and could help to reduce the costs of capacity-building and technical assistance. Accountability has already been designated as a sector, bringing together the main bodies responsible for accounting and audit, though the accountability sector working group has not so far proved very active in achieving closer co-ordination. Law and order also has a sectoral working group, and is preparing a sector programme.

Even within sectors subject to a sector approach, there continue to be examples of project commitments not incorporated in the sector framework, or added ex post. The partnership principles which were agreed at a 1999 meeting with donors in Stockholm proposed that offers of stand-alone project support, outside the agreed programme for the sector, would be refused. The draft PEAP Volume 3 proposes giving each sector two ceilings: a ceiling for funds which are integrated within the budget, with a separate ceiling for project support. Ideally, the sector will identify priorities for project commitments as part of the sector strategy, and MFPED will help the sector ministry to firm up donor commitments. The proposed approach enables MFPED to retain control over the overall allocation of resources in line with priorities, it ensures that sectors have a hard budget constraint and will therefore ensure that they seek project commitments in line with their sector strategy, yet it retains an incentive for sectors to seek and use project funds.

[45] Foster *et al.* (2000).

Public sector performance management

The progress achieved in strengthening planning and budgeting has yet to be matched by improvements in the effectiveness with which funds are spent. This reflects the legacy of problems going back to the 1970s, when corruption became deeply entrenched in the public sector. According to UDN analysis based on Auditor General's reports, money lost in Government offices to corruption has averaged Ug Sh 200bn per annum since 1993, equivalent to more than 15% of public expenditure over the period.[46] Uganda today is judged by Transparency International as one of the most corrupt countries in the world. Establishment surveys show corruption is a major constraint on growth and investment.[47] Service delivery surveys and the 1998 integrity survey found high levels of corruption, illegal charging and other abuse of office by civil servants, with the police and the judiciary rated as the most corrupt groups within the public sector. It is a major threat to maintaining the donor budget support on which Government depends, while generally poor public sector performance prevents services reaching the poor.

Uganda has set out a clear strategy to fight corruption and build ethics and integrity in public office.[48] The strategy is headed by a Minister of Ethics and Integrity. It builds on an earlier (1998) anti-corruption action plan, but the strategy is more comprehensive in scope and approach. The stated aim is zero tolerance of corruption. The strategy recognises that a necessary but not sufficient condition for achieving the objective is that staff must be better paid, but must then be held accountable for their performance. Financial management systems must be strengthened, and the capacity to run them effectively put in place, to ensure that corruption and misuse of resources can be detected. More effective and better-coordinated oversight institutions are needed to enforce the rules. The leadership must set an example through its own ethical behaviour, and must show willingness to impose effective sanctions on those found guilty of misdemeanours. The strategy is intended to be further reinforced by harnessing civil society and the media to help in exposing wrongdoing and holding those responsible for public funds to account. The national integrity survey collected baseline information on public views of integrity standards in different public sector institutions and experience of being asked for bribes. Many of the same issues are also addressed by the National Service Delivery Survey (NSDS), undertaken in 2000.[49]

Table 6 shows the results of the NSDS 2000 survey with regard to interviewees' perceptions of bribe solicitations in the last 5 years. The small margin of those who thought there had been a reduction in bribe solicitations over those who felt there had been a rise suggests there has been little change.

Table 6: Perceptions of Trends in Solicitations of Bribes before Service is Given, over the last 5 years.

	Rural	Urban	Total
Reduced	33%	32%	33%
Remained the same	26%	21%	25%
Rose	29%	35%	29%
Don't Know	12%	11%	12%

[46] Uganda Debt Network (2000).
[47] Reinikka and Svensson (1999).
[48] Directorate of Ethics and Integrity, Office of the president (2000).
[49] The service delivery survey which was undertaken in 2000 collected information on many of the same issues. Results are awaited.

Pay and performance

Public sector pay had fallen to derisory levels by the time the NRM Government came to power, and fell further during the 1991-92 inflationary episode. Government then introduced a medium term pay strategy based on reducing the numbers of civil servants, but progressing towards paying those who remained higher salaries based on a series of ‘living wages’, which were derived from the cost of different baskets of goods and services which different categories of civil servant could reasonably be expected to be able to afford from their salaries. This scheme had many positive features. Civil servants had an incentive to accept the need for cuts in their numbers, while those who were not retrenched had an incentive to stay in the expectation of progress towards better pay. The scheme was to be phased in to be affordable, while it also recognised the need for some decompression of salaries to retain those with better skills. Considerable progress was made in the early years, when the size of the public service was reduced from about 320,000 in 1992 to about 150,000 by 1997. Minimum basic salary was raised from the equivalent of US $4 in 1992 to US$40 by 1997.[50]

Unfortunately, progress could not be sustained while simultaneously meeting the need for additional staff created by universal primary education and decentralisation to an expanding number of districts. Employment has increased to 170,000, and is expected to grow to 237,000 by 2004/05. Teachers account for three quarters of the planned increase. Despite average annual payroll growth of 22% over the last three years, average pay levels are 42% of private sector competitors, the pay of many groups of public sector employees remains well below the ‘living wage’, while pay levels are particularly low for attracting and motivating teachers and other critical groups of workers needed to deliver better services.[51] Attempts to overcome the problem at local level have resulted in widespread informal use of unqualified nursing assistants and teachers, paid from informal user fees.[52] The recruitment drive now on for teachers accepts the need to reduce qualifications of teachers, recruiting secondary school graduates for subsequent training on the job.

A further persistent constraint has been poor management of the centralised payroll, with the consequence that newly recruited workers, especially those working in the more remote districts where the poor are concentrated, have faced delays of many months before receiving pay. The poverty status report argues that the problems reflect the strains on the system as a consequence of the unprecedented expansion of staff numbers to meet the recruitment drives for teachers and health workers.

Government recognises that adequate pay is necessary, but not sufficient, and the strategy links pay reform to the introduction of performance based appraisal of civil servants. A good illustration of the need to link pay reform to improved performance management can be provided by the comparison of the Government and NGO health sectors. NGO service providers are acknowledged to achieve far better performance, as confirmed by higher utilisation and by the preferences of people interviewed in service delivery surveys, despite being unable to match recent improvements in public sector remuneration. A sadly ironical consequence is a loss of workers from NGOs to Government facilities, where they are paid more but may achieve less.

The approach to improving the management of performance rests on the introduction of output-oriented planning, budgeting and evaluation by all public agencies, and objective and open performance appraisal of personnel.[53]

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[50] World Bank (2001a).
[51] Ministry of Public Service (2001).
[52] Kahkonen (2000).
[53] World Bank (2001a).

For the moment, these remain largely targets and good intentions for the future. A recent survey of decentralised personnel management found that, although both district and facility level staff claim that performance is an important factor in promotion decisions, only 12% of facility level health staff and 25% of teachers reported having their performance evaluated annually. Poor performance appears to be widespread. Three quarters of district level staff reported that sanctions had been imposed on teachers within the last year for misconduct, corruption, insubordination, poor performance, or abuse of students. In some ways, this could be viewed as a positive indication that action is taken when poor performance requires it, though, in one quarter of cases, effective action was prevented, usually by councillors.

Decentralisation and performance

The budget process, especially where there are sector programmes jointly supported by the donors, has begun to introduce simple objectives for evaluating performance at sector level. The problem for the line ministries has been that they are responsible for delivering on the targets, but need to do so via local government structures which may not share the same goals, which lack capacity, have exhibited poor accountability for their actions, and may be only weakly committed to improving performance management.

The highly prescriptive conditional grant system has been an attempt to ensure that local Government implements national policy, supported by mandatory publicity to empower communities to hold officials to account. However, our interviewees felt that the attempt to empower communities to hold teachers to account had been only partially successful to date. School management committee members may be illiterate and innumerate, and neither they nor often the head teacher have much notion of bookkeeping. Few schools keep good financial records, and such information as was available from the tracking study suggested that schools were paying too high prices for short deliveries, with some risk that head teachers may be supplementing their incomes in this way. Lack of noticeboards meant that many notices were placed in staff rooms or the head teachers' office, not available for general inspection.

It is early days as yet for judging the effectiveness of transparency in checking the behaviour of officials, and this is an area which will continue to merit further research. In addition to the education success in ensuring resources now reach the schools, the IGG, the Uganda Debt Network, and the poverty monitoring and analysis unit, were able to point to examples where improved information had helped to stimulate local action to challenge the behaviour of politicians and officials. Indeed, districts have complained that they have sometimes been exposed to criticism when funds said to have been released from the centre have yet to arrive due to delays in the banking system, though this may have the positive virtue of encouraging them to take up the delays with the Uganda Commercial Bank. Where the display of information is having an impact, it is through a few individuals who are well placed to understand the notices: Parish Development Committees, and school and health centre management committees may in some cases have some awareness; the general public mostly not. Greater transparency does seem to offer potential as part of an overall strategy for raising the effectiveness of public spending, and if sustained may eventually succeed in beginning to alter the culture in which decisions are made, and the balance of power between provider and user of services.

The proliferation of guidance and reporting requirements for the 27 different conditional grants has made some of them difficult to utilise and has imposed significant strain on the capacity of local Governments.

The widely recognised need for a more decentralised approach is reflected in the decision to extend nationally the LGDP. Evidence from the pilot districts suggests that the approach has resulted in an improved choice of investments more in line with local priorities and resources, improved participation in holding politicians and officials to account, and improving financial accountability. District visits also appear to show evidence of higher technical quality of construction.[54] Interestingly, the poverty monitoring and analysis unit staff felt that the effectiveness of mandatory publicity was also higher in the DDP districts, where a more participatory approach to planning is being taken. As this is rolled out to more districts, and helps to empower communities to influence their own development, the scope for holding officials and local politicians to account for their use of public moneys should increase.

Financial management and accountability

Central Government accounts are produced and audited within the statutory nine months of the close of the financial year. The picture they reveal is one in which accounting is made difficult by regular disregard for timely and accurate reporting of transactions, inadequate maintenance of records, the side-stepping of controls, and a general lack of financial discipline, with Accounting Officers giving insufficient attention to their financial accountability responsibilities, including follow-up of audit findings. At local Government level, where one third of expenditure takes place, there are significant backlogs in preparing and auditing accounts, partly reflecting weaknesses in basic record keeping.[55]

The capacity and independence of the Auditor General is being strengthened, including introducing private audit firms to work alongside Government auditors and transfer skills. MFPED is required to produce a ‘Treasury Memorandum’ giving the Government response to audit reports. This process is intended to be completed after the Parliamentary Public Accounts Committee, and then the full house, have discussed the report. This is intended to happen within 9 months of the issuing of the report, but parliamentary discussion of the 1998/99 audit report had yet to take place when we visited in January 2001, which delays follow up of the report. Treasury memoranda in response to audit reports are to be published, and follow-up of audit and public accounts committee queries are now being monitored. When criminal conduct is suspected, it is now mandatory that the Auditor General should refer the case to the IGG, and measures are being taken to strengthen the capacity of law enforcement agencies to investigate and prosecute corruption cases.

The effective use of the courts to address corruption is constrained by the problem that the police and judiciary were rated by the population as the two most corrupt wings of Government, according to the 1998 Integrity Survey.[56] The Prevention of Corruption Act includes provision for fines to be imposed related to the value of the corrupt gains, but this provision relates only to the estimated value of gains from the specific misdemeanours under investigation, it is easily evaded by vesting property in the ownership of family members, and a corrupt judiciary has ample discretion in deciding how the rule is interpreted.[57] Few cases come to court, and those which do can become bogged down for years in a slow moving and over-burdened legal system. In an attempt to address these problems, Government is developing a sector wide approach to the law and order sector, with donor support. Though there have been some high-profile successes, and there is scope for speeding up the process, the courts are a small part of the answer.

Parliament has enacted a Leadership Code, which requires the disclosure of assets, but the effectiveness is limited because the interests of family members are not included, and the declarations are not open to public scrutiny but are made solely to the IGG, which lacks the capacity to verify them. Though an amendment bill has been tabled to strengthen the legislation,

[54] Government of Uganda, Donor Sub-Group on Decentralisation (2000).
[55] World Bank (2001)
[56] Cockroft and Legorreta (1998)
[57] Mpeirwe (2000).

this had not been passed as at February 2001, while only a small proportion of members had complied voluntarily with the disclosure of assets provision. An even smaller proportion of local politicians had done so, though conflicts of interest are especially severe at that level.[58] MPs may be somewhat ambivalent in their attitudes. When a report from the Auditor General placed the spotlight on abuses of a car loan scheme from which many MPs benefited, the Uganda Debt Network alleged that Parliament closed down debate by criticising the report in general terms, knowing that the Auditor General would be unable to publicly defend his report.[59]

Parliament has addressed high-profile corruption cases by using its power to censure Ministers. High-profile examples include forcing a Minister of Works to resign over diverting resources to work in his own constituency, forcing the resignation of the State Minister for Privatisation and the sacking of the executive director of the privatisation agency over alleged corrupt dealings in relation to privatisations. The President has considerable discretion over the action taken in response to corruption allegations, and the penalties imposed rarely provide a strong disincentive relative to the magnitude of the gains. For example, Parliament censured the Minister of State for Primary Education who were unable to account for his wealth, and the Vice President and State Minister for Agriculture who were unable to show how monies released for the Valley Dams project had been used, but they were merely moved by the President to other posts within the Government.[60]

Where action has been taken on corruption issues it has often been in response to investigations by the press, or pressures from civil society. The media have been effective in exposing allegations covering the sale of commercial banks (which brought about the withdrawal of the President's brother from the Government), and major procurement scandals including accepting used military helicopters that had not been overhauled as the contract required, and North Korean army uniforms which did not fit Ugandan soldiers. NGOs such as the Uganda Debt Network have also helped publicise information on standards of behaviour in public office, and have mounted campaigns for reform as well as supporting action in specific cases.

During the election campaign, the President emphasised the role of civil society in helping to hold Government to account, and a number of policy initiatives have been taken which point in this direction. Measures include the emphasis on providing information to the public at all levels, facilitating channels of complaint and redress, including 'whistleblower protection', strengthening of the IGG ombudsman with establishment of more regional offices and stronger prosecution powers, facilitating civil court action in corruption cases, and the development of NGO involvement in monitoring the implementation of the PAF.

On paper, the anti-corruption strategy looks to be both comprehensive, and well directed, making use of a number of complementary channels and approaches. However, the effectiveness of the strategy depends significantly on the messages which the leadership sends through its own behaviour, and through effective measures to investigate wrongdoing at any level, and to impose sanctions on those found guilty.

Civil society observers have been sceptical of the level of commitment. The main technical criticism which has been made is that there may be some scope for more effective action by reducing the number of oversight agencies, some of whom have potentially overlapping roles with demarcation lines not clearly enough defined: the UDN refers to the establishment of 'a myriad of anti-corruption agencies' who are 'meagre paper tigers whose efforts are timid and frequently hampered by lack of adequate funding and the fact that some circles of Government seem to

[58] IGG report.
[59] Uganda Debt Network (2001).
[60] Mpeirwe (2000).

condone graft.'[61] It may also be difficult to maintain the credibility of a zero corruption position within Uganda when it is widely believed that very different standards of financial ethics are being applied to Ugandan involvement in the DRC.

The direct budget support in the context of the PRSC may help to focus Government attention on the need for a coordinated approach to overcoming these problems. Support is being given to improve financial management systems, build capacity at the centre and in local Government, and more closely monitor progress, including further support for tracking studies which enable the impact on the use of funds to be monitored. The capacity and independence of the Auditor General is being strengthened, Treasury memoranda in response to audit reports are to be published, and follow-up of audit and public accounts committee queries will be monitored. Procurement, which is a major focus of corruption and is the subject of 90% of complaints to the Inspector General of Government, is also receiving close attention from the donors, with procurement agents being introduced to both take over some procurement functions and provide technical and capacity building support in the short term.

At local level, where the problems are most serious, financial rules and regulations, including those covering district PACs and tender boards, have been printed and distributed, and training is being organised for accounting staff and for members of district tender boards and public accounts committees. The LGDP, which is being extended to all districts, makes financial support to local Government development programmes dependent on achieving increasing standards of financial accountability, with capacity building assistance for those who do not qualify, and with the expected standards being raised over time. This approach appears to have achieved some success in the 5 pilot districts.

One consequence of the increase in budget support is that Uganda needs to take seriously the need of the donors to satisfy their electorates that funds are not being wasted. If major corruption scandals are uncovered, or even if financial management simply fails to improve, donors are likely to interrupt budget support, but there is no guarantee that aid will simply be redirected to flow via the previous non-budget channels. There are benefits from budget support, but the risks to GOU are also greater.

4.2 Information and analysis

The Government has decided to update the PEAP every second year, and to produce a poverty status report to review progress in the intervening years. The first, and very detailed, poverty status report was produced in 2001. The MFPED, which leads the preparation of both documents, has made effective use of poverty analysis in shaping policy. Through the poverty monitoring and analysis unit, MFPED have developed in house capacity to both undertake analysis, and act as an informed customer for analysis undertaken by or in collaboration with others. For example, they have worked closely with the World Bank, and have drawn on analysis and support which the Bank have undertaken or financed. They are continually challenged to provide briefing on what the available research and statistics reveal about the poverty implications of alternative policy options. The poverty monitoring and analysis unit also provides the secretariat for a poverty monitoring network. This brings together the main users and producers of poverty information and analysis, to both inform what is collected, and ensure that relevant outputs are brought to the attention of those with a use for them.

[61] Uganda Debt Network (2000).

The powerful position of the MFPED within the budget planning process has provided an opportunity to both challenge and support Departments to set out, in the annual sectoral Budget Framework Papers, analysis on how they propose to address poverty issues and the priorities of the PEAP. The budget process is organised around Sector Working Groups, who are responsible for preparing the BFP and budget proposals for each sector. These involve donors as well as Government officials and in some cases NGOs. An innovation since 1999 has been to also establish a cross-cutting Poverty Eradication Working Group. This involves MFPED Poverty Monitoring and Analysis Unit and the PAF Secretariat plus the Ministry of Gender, Labour and Social Development, some NGO representatives, and donors. It is chaired by a senior MFPED official. The main role has been to review the proposals of the sector working groups, to ensure that they focus on key poverty issues including gender, the needs of the poorest 20%, regional inequalities and empowerment through provision of information on entitlements to services. The aim is to both help sector groups sharpen their poverty focus, and advise the Budget Director on poverty aspects of allocation decisions.

One specific role of PEWG is to advise the PS on which expenditure categories within the budget should be admitted to the protections afforded by the Poverty Action Fund. Box 4 sets out the agreed criteria for these judgements. They are quite demanding, and take a narrow, service delivery view of poverty. As already mentioned, given the importance of economic and revenue growth to sustaining the services to the poor, it is worth questioning whether only programmes which meet these criteria should be prioritised and protected.

One of the strengths of Uganda has been a willingness of some departments to seek empirical foundations for policy choices. This goes beyond the MFPED, and has resulted in a rich proliferation of surveys and other analysis, though at the cost of some redundancy and overlap, and a lack of systematic trend data on some areas.

Uganda experience is consistent with the hypothesis that effective programmes are associated with a culture which identifies and helps to solve problems, rather than punishing those who reveal them. Tracking studies, service delivery surveys, and the 1998 integrity survey, have each collected information bearing on the quality of service delivery and the problems of corruption. The information has been well used by the departments that collected it. Thus, the introduction and design of conditional grants was in part a response to tracking study information showing how little of the available funding was reaching the facility level. The findings of the integrity survey provided the baseline for the work of the IGG, and the information on the extent of corruption in the police force was one of the pieces of information which led to the establishment of a commission of enquiry into the police. Annual service delivery surveys are envisaged as a key means to monitor progress in the health sector programme, collecting information on access and usage of services, and on user satisfaction with them.

Nevertheless, a recent study on monitoring and evaluation in Uganda[62] voices a number of criticisms:

- Policies, work plans, budgets and reporting and inspection channels are highly fragmented at sector and district level. There are for example 11 different work planning and reporting schemes under formulation under the PAF. This imposes a burden of multiple reporting without generating systematic information on the effectiveness of Government expenditure.
- Emphasis has been on inputs and immediate outputs, not results based, though sectors are beginning now to define output and outcome indicators.

[62] Hauge (2000).

- Emphasis has been on bottom-up reporting, but monitoring information and league tables for comparisons with peers are equally if not more necessary at sub-district and facility level.
- There are many institutions involved in inspection and audit but little coordination between them.

The problems have been recognised, and as at February 2001 efforts were underway to draft a national poverty monitoring strategy, overseen by the poverty monitoring steering committee which has been established to guide the process.

Our hypothesis that brief summaries and presentations reach policymakers, but that reports do not is not really supported by the Uganda experience. The pressure for brevity in the poverty reduction strategy papers has come from the donor side, and specifically from the World Bank, while Government has preferred documents of sufficient detail to be useable for operational monitoring purposes. This has resulted in the PRSP documents being drafted as summaries specifically for Board presentation, but having little significance within Uganda itself. The view of poverty monitoring and analysis unit staff was that World Bank were also more inclined to put a positive spin on the figures, and did not always share GoU commitment to presenting a balanced picture of the situation to inform policy choices. The pressure on the financial institutions to present Uganda as one of Africa's few success stories can seem unhelpful from the viewpoint of those trying to ensure that serious problems are tackled with determination.

The Participatory Poverty Assessment was widely disseminated in a variety of forms, including a video which has been shown to audiences within and outside Government. A particular effort was made to ensure that those responsible for drafting the revised PEAP, both the overall and the sectoral chapters, were exposed to the PPA findings, which were also strongly reflected in the 1999/2000 budget speech and background to the budget. A national poverty forum, chaired by Makerere Institute for Social Research, has been meeting monthly, with open access, and broad participation from Government, donors, and civil society.

One of the most critical gaps in awareness in Uganda is at the district local Government level. The poverty monitoring and analysis unit feel that there is quite good correspondence between national priorities and the perceptions and priorities of the poor themselves, as revealed by the PPA and as reflected in the revised PEAP which was heavily influenced by it. The main problem in national understanding has been a failure to adapt solutions to local situations, but this problem is strongly emphasised in the PPA video through the story of how conditional grants for roads were not flexible enough to meet the needs of districts with few roads and reliance on water transport. Central Government certainly recognises in policy statements the need for national policy to adapt to local circumstances the problem is how best to achieve this. The view taken by poverty monitoring staff in MFPED is that the lowest tiers of local Government, up to sub-county level, are accountable, and do generally reflect the priorities of the populations they serve. The biggest gulf in priorities between the poor and their representatives is found at district level. It is arguable to what extent the difference represents a failure of understanding or a failure of accountability.[63]

Dissemination follow-up after completion of the PPA has sought to ensure that those districts and sub-districts in which the study was undertaken are informed of the results and the policy conclusions which were drawn from them. In addition to telling people how their views had helped to modify national policies, the UPPAP project team also urged the CAO, the District Chairperson, and the Sub-County Chief to respond to specific findings on their own districts. This is taking the form of Community Action Plans, intended to feed in to existing budget processes (they are not

[63] 'District priorities are to make themselves comfortable…Pajeros and allowances.'(MFPED official).

funded with additional resources), but providing a stronger path for community views to be reflected in sub-county and district development plans.

The hypothesis that *p*overty focus of Government is positively associated with awareness of both Government and public of poverty issues is to some extent contradicted by the experience. The former PS Finance argues that the initial push towards increased priority for poverty reduction came in part from a lack of information to prove that economic growth was reducing poverty, combined with a widespread belief that many of the population were becoming worse off. As a consequence, poverty as an issue began to assume increased urgency. It is perhaps ironic that the developing focus on poverty has been accompanied by a flurry of statistics showing that income poverty has been declining rapidly in the face of sustained economic growth, though low levels of human development and deteriorating conditions in the North have continued to be a concern. More in line with the hypothesis is the increasing focus of policy attention on the problems of the North, reflecting the 2000 household survey data that poverty is worsening. It is too early to be sure how the information will influence actual public expenditure patterns, but the poverty status report is explicit in suggesting much more attention to geographical targeting.

Though other departments have contributed, the MFPED leadership has been a great strength in ensuring that awareness of poverty issues is strong at the heart of Government, both in MFPED and in the central ministries implementing expenditure programmes under the PEAP. Considerable effort has also been devoted to dissemination to local Government, and to civil society.

The participatory poverty assessment, based as it was on personal testimonies and the views of communities, has been widely accepted, and is quite widely known. However, the focus on the problems of those who are currently poor results in a downbeat message, something which will be avoided in the next PPA which will also include more material on the experience of those who escaped from poverty.

The more positive impression which emerges from the household survey evidence appears to be widely disbelieved, and the impression persists among politicians that poverty is getting worse. The main problem has been not lack of awareness of the message, but a tendency to mistrust the messenger. Some parts of civil society and of the media suspect MFPED of having presented a falsely positive picture, in order to justify their own policies. It would perhaps be naïve to expect those in opposition to be convinced otherwise. The researchers' feeling is that this perception is unfair, and that there are many examples pointing to remarkable Government candour in presenting the evidence, good and bad.

4.3 Participation

The strength of the Uganda approach to poverty can also be argued to be its greatest weakness. It has been built on a fairly hierarchical and centralised planning and budget process, which leaves only limited space for participation by those affected by decisions taken by the centre.

Government has consistently involved donors and civil society in monitoring the effectiveness of Government programmes, and has an excellent record of sharing information on findings, including negative findings. This approach does seem to have paid dividends, as Government has carried through on commitments to spend more on the priorities of the PEAP, and has taken action to ensure that funds reach their intended destination.

Government has been able to attract increased external funding by involving donors directly in the planning and budget process, through the sector working groups and through annual consultation on the budget. The transparency of the dialogue, and of the presentation of figures in a way which (through the PAF) enables the use of additional funding to be explicitly identified, has given donors the confidence to provide their assistance in increasingly flexible form, with an increasing share provided as general budget support. Open acknowledgement of the problems of accountability and discussion of action plans to overcome the problems has permitted general budget support in an environment in which serious accountability risks are acknowledged to remain.

The strategy has at least been informed by serious efforts to achieve a good understanding of poverty, and is consistent with the hypothesis that *poverty focus is more likely where Government collects information on priorities and problems of the poor.* The effort to consult the poor directly through the Participatory Poverty Assessment undertaken in 1998/99 has significantly raised the awareness of Government officials and politicians, and consequently the momentum behind the pro-poor reform process.[64] The participatory poverty assessment had several direct influences on priorities, most clearly seen in comparison of the 1997 PEAP and the 2000 Revision. The PPA has had a major impact on Government thinking about how best to support agriculture: the importance of rural markets, credit and financial services, micro and small enterprises as part of diversified livelihoods, disaster management, and secure access to land make their appearance in the 1998/99 Background to the Budget, and strongly influenced the development of an approach looking beyond traditional agricultural sector confines. The emphasis on Governance and security issues, strongly emphasised by the poor, is much stronger in the later document; water and sanitation, strongly emphasised by poor women, receive stronger emphasis and more funds. The PPA had a major impact in bringing these perceptions to the attention of policy makers. Though not the only cause, the results of the PPA contributed to the emphasis on empowering people to hold officials to account, and to Government resolve to address problems of corruption. The confirmation of the importance of security and of law and order as a poverty issue may also have contributed to a more sympathetic donor attitude to defence spending, though procurement scandals and involvement in the Congo subsequently weakened the case that might have been made.

Despite the extent to which financial management has been decentralised to local Government, the Conditional Grant system has in practice enshrined very centralised priority setting, though informed by consultations with the poor through the PPA. This is beginning to be challenged, as the DDP project is rolled out to more districts, and the school capitation grants have brought some financial discretion closer to the community, though decisions are mostly made by the head teacher with limited real consultation. However, at present, communities are empowered to complain and seek redress for abuses, but are not for the most part empowered to influence directly the public spending decisions which most affect their lives.

[64] Ministry of Finance (2000).

5 Conclusions and Recommendations

Uganda has achieved rapid poverty reduction, amd a major restructuring of the budget in favour of the poor, and there is some evidence of significant improvements in the access of the poor to effective public services. It is a model from which much can be learned.

The success was built on strong emphasis on poverty by the leadership, and was executed through an effective Ministry of Finance, Planning and Economic Development. The most critical and replicable aspects of the approach include:

- Preparing a poverty strategy which is informed by good evidence and analysis of the extent and nature of the problems of the different groups within the poor, and what might be done to reduce their poverty, and which has been developed through a participatory process which helped to develop broad recognition of the problems and broad ownership of the solutions.
- Bringing finance and planning together within a single institution to facilitate a process whereby plans prepared to implement the strategy reflect a realistic view of budget constraints, while budgets can be scrutinised for their consistency with plan priorities.
- Recognition that the combined Finance and Planning ministry was the single most critical institution for enabling Government to achieve its goals, and ensuring that it is ably led, staffed by first rate officials who are paid well and expected to perform well, and has access to technical assistance which is not donor driven but is firmly under the control of the Permanent Secretary.
- Building a credible budget process which has progressed incrementally from ensuring overall macro stability, to realistic in year budgeting, to the introduction of a medium term framework, and gradual extension of coverage to capture more of the donor flow and facilitate medium term planning by local Government.
- Using the poverty strategy to identify public expenditures which are critical to achieving poverty reduction goals, increasing their share of the budget, and protecting them from cuts during budget execution.
- In order to lend credibility to these commitments to increase the share of pro-poor spending, enter into a transparent commitment to channel donor and debt relief funds to achieve additional spending levels, defined in terms of increased spending beyond a baseline level. Invite the donors to jointly monitor performance in executing the planned increases in budget spending.
- Defining the baseline needs care. From a donor perspective, it is important that the commitment is at least partly additional to what Government would have otherwise spent. In the case of Uganda, both Government and donors channelled increased resources into the PAC, avoiding any impression that poverty spending was becoming a donor ‘project’ limited by donor commitments.
- Develop the policy content of the annual budget process. Simple but powerful criteria can be applied to judging the extent to which line ministry proposals reflect national priorities, and the finance and planning ministry can perform a challenge function, using the outer years of the medium term expenditure framework to signal the intention to shift priorities towards sectors preparing credible plans for addressing poverty, and away from those which do not.
- Work with the donors to support the quality of the budget planning process, produce joint sector programmes which are nested within the overall budget resource envelope, using donor capacity to strengthen planning and monitoring.

The extent to which this approach is replicable depends on Government being persuaded that it is in its interest to increase the priority given to poverty, and having the power to discipline other actors who may wish to undermine or subvert the budget process. It may prove more difficult to achieve where Government needs to sustain support by balancing the sectional interests of a coalition of forces which may not share the same interest in poverty reduction.

The donors can help to shift the balance of forces in favour of poverty reduction, especially if additional resources for the budget are linked to transparent, monitorable commitments to shift spending in a pro-poor direction.

Messages to improve the execution of the budget and the quality of service delivery are more guarded.

- Especially where formal accounting and reporting systems are underdeveloped or unreliable, service delivery surveys and tracking studies can be used to identify the key problems in access to public services, and in the poor utilisation and misuse of public funds.
- Planning and accountability at local Government can be reinforced through a combination of conditionality for access to funds and capacity building support to help local Government meet the criteria. Incentives and disincentives can be used to continuously raise standards beyond initial threshold levels.
- Individual facilities, or the lower levels of local Government level, may be more responsive to local communities, but funds may not reach them unless they are specifically earmarked for their use.
- The use of the media to publicise what monies have been released to local Governments and to individual facilities, and what they are intended for, has the potential to help communities hold public servants to account, and ensure they get the resources they are entitled to.

Accounting and audit, and corruption, remain a serious concern. Although there is a strategy in place to address the issues over time, the increase in the share of donor support which is spent via the budget has significantly raised the stakes, because donors are reliant on Government accounting and audit systems to demonstrate that the resources have been appropriately used. Sustaining the flows on which Uganda now depends requires Government to give high priority to managing and monitoring the strategy to achieve, and demonstrate, higher standards of financial management.

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Annex 1: Research Hypotheses and Commentary on Uganda Experience

Hypothesis	Evidence/Criteria
1. Institutional Framework	
Public expenditure more effectively addresses poverty where poverty reduction is consistently emphasised in leadership speeches, statements, actions.	Emphasis from the President from 1995, PRSP says poverty is the fundamental goal of Government.
Poverty programmes get squeezed where budget discipline is weak, .Parliament, Cabinet unwilling to prioritise	Strong MFPED supported by President maintained overall budget discipline from 1992, commitments outside budget controlled since 1999, poverty given special protection through poverty action fund.
Hard budget encourages prioritisation	Uganda has found hard budget is limited while donor projects are outside, and while pay and establishment is separately decided by MPS. SWAp with combined Govt and donor resource envelope have helped. Uganda proposes to harden the budget constraint by giving Ministries a separate ceiling for project support, and to encourage thinking about priorities by inviting departments in budget submissions to comment on their manpower ceilings and staff salary structure.
Credible budget planning requires reasonable budget predictability	Uganda guarantees releases for the designated poverty expenditures (over 1/3 of total spending), and has pressed donors for multi-year commitments released early in the budget year. Sector programmes are helping to focus on linking objectives to resources. Non-PAF spending very unpredictable.
National priorities more likely to be observed if allocations reward budgets prepared in line with them.	Uganda delayed increasing health and agriculture budgets until plausible plans and budgets prepared which focused extra resources on poverty reduction; across the board, PAF has increased the poverty share in total spending.
Medium term budget framework supports a more planned pattern of resource allocation.	Uganda has planned and implemented increased shares to poverty programmes, inter and intra sectorally, with MTEF and sector programmes the key tools. Recognised need to also establish LTEF scenarios for sustainability.
Broader budget coverage (including donor flows) supports more pro-poor distribution, with donor dialogue playing a positive role.	Sector shares with and without donors are substantially different, bringing them within the budget has helped Govt to shape improved resource allocation to address poverty, sectorally, geographically, and in terms of focus on poverty within sectors. Donor/HIPC role in PAF has helped defend poverty spending..
Incentives for careful budget preparation will improve focus on priorities.	Nationally, MFPED insisted on preparation of plans which address PEAP priorities before raising spending on health and agriculture, health did eventually prepare strategic plan now receiving increased funding. One criteria for inclusion in PAF is the preparation of a costed plan with monitorable targets. In local Govt, releases depend on work plans and accountability, both for recurrent conditional grants, and district development. LGDP links funding to requirement for increasing standards of planning and management, and supports capacity to achieve them..
Budget centres will not offer savings unless given some incentive to do so, e.g. a hard budget within which they are free to prioritise.	MTEF has built credibility, & there is now some evidence of sectors such as security prioritising. Sector programmes have been free to propose choices, partly because capital as well as recurrent spending is captured. Uganda is keen to extend the sector approach to all sectors, including national economic management and accountability; to extend choice to include influence over manpower levels and pay; and to bring donor flows into the equation, including more explicit analysis of technical assistance costs and benefits.
Failure to pay living wage broadly competitive with private sector erodes all aspects of expenditure effectiveness, including poverty.	Incomplete pay reform left salaries too low. 1996 tracking study showed low utilisation of services, high petty corruption. Utilisation of health facilities improves when staff are in place, but pay too low to attract staff, Only 33% of health posts are filled, worst in remote areas.
Pay alone is insufficient to effective PE unless performance is also recognised, and rewarded or sanctioned.	Public sector health staff now paid more than NGOs, but performance still judged to be lower.. MFPED results achieved with pay & management.
Decentralised Budget management only supports poverty reduction if supported by accountability for results to policymakers or the community	Decentralisation initially led to resources absorbed in admin, costs. Govt CGs use top down guidance on priorities, planning and reporting requirements, and transparency. In longer term, LGDP will build participation and accountability to users.

Hypothesis	Evidence/Criteria
Timely accounting and audit reports with effective scrutiny and follow-up promote more effective public expenditure programmes.	Audit reports are produced, Parliament has had some success in follow up of corruption cases, but has conflicts of interest (e.g. over audit report on car loans). But Uganda Debt Network has used audit reports to draw attention to corruption. Donor pressure to improve audit and improve co-ordination of accountability sector. Too early to judge effectiveness.
2. Information & Analysis	
Poverty information is more policy effective when needs discussed with users	Poverty monitoring network brings producers and users together. Surveys and analysis integrated within the various planning processes, PEAP, sectors (tracking studies), corruption strategy (integrity survey). Some overlap and redundancy, but PEAP process and establishment of UBOS and preparation of an integrated poverty monitoring system is underway.
Analysis commissioned by Government is more likely to be used.	Poverty monitoring unit is fully integrated in MFPED decision-making on the budget; strong demand from President and from MFPED for supporting analysis; involving donors within the budget sector working groups has strengthened calls for supporting analysis, but ensured it is mainstreamed within the budget and planning process.
In-house poverty analysis on demand is more effective than reliance on donors.	Uganda case is one where the donors are in house, analysis is commissioned as part of processes in which donors participate through e.g. sector working groups, but there is a strong in-house capacity in the poverty monitoring unit in MFPED, in UPPAP, and being built in UBOS.
Brief summaries and presentations reach policymakers, reports do not.	Presidential Seminars were a major feature; workshops and forums in which there is broad participation; UPPAP video; presentations, workshops at national and regional level. But GOU produce and use longer, more analytical pieces to shape and inform policies and plans (e.g. PEAP).
Poverty focus of Government is positively associated with awareness of both Government and public of poverty issues.	PEAP 2000 was a broadly participatory process, remarkably broad based knowledge and ownership of the main findings, though those outside Government challenge the optimistic household survey findings.
Effective programmes are associated with a culture which identifies and helps solve problems, rather than punishing those who reveal them.	Remarkable history of openness, publication of critical analysis of service delivery and integrity surveys, and audit reports, encouragement of whistle blowers, but action taken on some areas (conditional grants, mandatory notices, ombudsman, plan of action on corruption and public ethics), not matched so far by effective sanctions on high level corruption.
3. Participation	
Poverty focus more likely where Government collects information on priorities & problems of poor	UPPAP was influential and is cited widely in Government, influenced priority to water, approach to agriculture, concern on security issues.
Transparency of Information on service standards, budges, staffing, charges improves service access and quality-	Not much information yet on how effective transparency is as a weapon, but some anecdotal evidence has persuaded Uganda to further extend the approach.
Especially when Complaints are encouraged, facilitated, acted on	President, IGG encourage population to hold public servants accountable.
Independent, open monitoring promotes improved poverty focus	Transparency of releases increased dramatically the proportion of funds reaching schools, increased monitoring effort does appear to be associated with lower level of absenteeism and poor performance than found in 1996 tracking studies.
Participation of the poor or their representatives in PEMS decisions improves poverty focus .	UPPAP helped to raise awareness of the need for participation, DDP experience of participatory planning approaches is encouraging, and being built on in LGDP and PMA. But, participation in budget decisions is limited at present.

Annex 2: Institutions and People Met

Name	Title	Organisation
GOVERNMENT DEPARTMENTS		
Mr Tumusiime-Mutebile	Governor	Bank of Uganda
Dick Odur	Chairman	Local Government Finance Commission
George Patrick Kasaja	Deputy PS	MAAIF
Mr. Edward Mark Othieno	(rep. For Commissioner for Agric Planning)	MAAIF
Florence M Malinga	Commissioner, Education Planning, Education and Planning Dept	Ministry of Education and Sports
Mackay Ongona	Senior Finance Officer	MAAIF
Edward Patrick Kasajia	AG PS	MAAIF
Dr Basaza	Senior Health Planner	Ministry of Health
Christine Mubiru	Principal Policy Analyst	Ministry of Health
Grace Murengezi	Senior Policy Analyst	Ministry of Health
Chris Mugarura	Senior Health Economist	Ministry of Health
Mackay Ongona	Senior Finance Officer, Education and Planning Dept	Ministry of Education and Sports
Margaret Kakande	Poverty Analyst - Poverty Monitoring and Analysis Unit	MFPED
Florence N Kuteesa	Commissioner, Budget Policy and Evaluation	MFPED
Magona Mweru Ishmael	Commissioner, Public Administration Dept	MFPED
Ogwang Mito	Asst. Commissioner, Budget Policy and Evaluation	MFPED
Mary Muduli	Director, Budget Dept	MFPED
Kenneth Mugambe	Assistant Commissioner, Economic Development Policy and Research Dept	MFPED
Keith J Muhakanizi	Ag. Director/Economic Affairs	MFPED
Eric Mukasa	Principal Economist, Economic Development and Research Dept	MFPED
Robert H Muwanga	Project Coordinator EFMP2	MFPED
Peter Ngategize	PMA	MFPED
Patrick Ocailap	Commissioner, Aid Liaison Dept	MFPED
Leonard Okello	UPPAP	MFPED
Martin Ola	Coordinator, Programme Management Unit	MFPED
Richard Ssewakiryanga	Project Officer, UPPAP	MFPED
Francis Tumuheirwe		MFPED

Name	Title	Organisation
Gurbachan Singh	Director in charge of Central Government Accounts	Office of the Auditor General
Jackson Kanyerezi		Uganda Bureau of Statistics
Dr. Basaza	Senior Health Planner	Ministry of Health
Mrs Christine Mubiru	Principal Policy Analyst	Ministry of Health
Mrs Grace Murengezi	Senior Policy Analyst	Ministry of Health
Mr Mugarura	Senior Health Economist	Ministry of Health
Jonathan Tumwesigye	Inspector General of Government	IGG
PARLIAMENT		
Moses Bekabye	Director, Parliamentary Budget Office	Parliament of Uganda
Aloysius Makata	Director, Library, Research and Information Services	Parliament of Uganda
Charles Tuhaise	Senior Research Office	Parliament of Uganda
Milton Goddie Tumutegyereize	Principal Research Officer	Parliament of Uganda
GOVERNMENT ADVISORS AND CONSULTANTS		
Andy Batkin	Development Consultant (team leader, local Govt finance study)	
Professor Brian Van Arkadie	Consultant, PMA Financing Study	CDP
Martin Brownhill	Macro Economics Advisor	MFPED
Peter Fairman	Senior Economic Advisor	MFPED
Romilly Greenhill	Senior Economist, Budget, Policy and Evaluation Dept	MFPED
Graeme Hansen	IMF Advisor	MFPED
Kithinji Kiragu	Consultant, Public Service and Pay Reform	
Steven Lister	Consultant, Programme for Modernisation of Agriculture	MFPED
Tim Williams	Advisor, PAF	MFPED
DONORS and International Agencies		
Dag Aarnes	Consultant	Norway
Gerard Kambou	Senior Country Economist, Country Department - East Region	African Development Bank African Development Fund
Luke T Myers	Development Officer, Eastern Africa and the Horn programme	CIDA
Jens Kare Rasmussen	Counsellor, Deputy Head of Mission	Danida, Royal Danish Embassy
Bella Bird	Social Development Advisor	DFID EA Uganda
Paul Mullard	Economic Advisor	DFID
Alain Joaris	Economic Counsellor	European Union
Zia Ebrahim-Zadeh	Resident Representative	International Monetary Fund

Name	Title	Organisation
John T Hoy	Development Attaché, Programme Officer	Irish Aid
Garvan McCann	Regional Economist	Irish Aid
Martin Koper	Deputy Head of Mission, First Secretary	Royal Netherlands Embassy
Stefan Sjolander	Consultant	Swedish Aid and Agencies Consultants
Bob Blake	Country Program Manager	World Bank
Ato Brown	Water Sector Advisor	World Bank
Anthony Hegarty	Sr. Financial Management Specialist	World Bank
Satu Kahkohnen	Sr. Economist	
Ritva Reinikka	Task Manager, PRSC	World Bank
OTHER		
Dr Godfrey Bahiigwa	Senior Research Fellow	EPRC
Andrew Mwenda	Senior Reporter	Monitor Publications
Mr Zie Gariyo		Uganda Debt Network
Christine Nanyonga		Uganda Debt Network
Mr Nyamugastra		Uganda Debt Network
Mr Davis Ddamulira	Policy and Research Officer	Uganda Debt Network
Gerald Twijukye	Research Assistant	Uganda Debt Network