

THE DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

The Department for International Development (DFID) is the British government department responsible for promoting development and the reduction of poverty. The government elected in May 1997 increased its commitment to development by strengthening the department and increasing its budget.

The policy of the government was set out in the White Paper on International Development, published in November 1997. The central focus of the policy is a commitment to the internationally agreed target to halve the proportion of people living in extreme poverty by 2015, together with the associated targets including basic health care provision and universal access to primary education by the same date.

DFID seeks to work in partnership with governments which are committed to the international targets, and seeks to work with business, civil society and the research community to encourage progress which will help reduce poverty. We also work with multilateral institutions including the World Bank, UN agencies and the European Commission. The bulk of our assistance is concentrated on the poorest countries in Asia and Sub-Saharan Africa.

We are also contributing to poverty elimination and sustainable development in middle income countries, and helping the transition countries in Central and Eastern Europe to try to ensure that the widest number of people benefit from the process of change.

As well as its headquarters in London and East Kilbride, DFID has offices in New Delhi, Bangkok, Nairobi, Harare, Pretoria, Dhaka, Suva and Bridgetown. In other parts of the world, DFID works through staff based in British embassies and high commissions.

COUNTRY STRATEGY PAPERS

Country Strategy Papers (CSPs) are prepared for all countries where we provide development assistance programmes, and are normally produced every three years. CSPs set out how we aim to contribute to achieving the international development targets in the country in question. Progress will be assessed against the strategic objectives set out in Section E of the paper. In preparing CSPs, we consult closely with governments, business, civil society, and others within both the partner country and the UK.

Department for International Development
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UGANDA: COUNTRY STRATEGY PAPER 1999

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A. SUMMARY

A1. Despite a good record of economic growth and civil service reform, Uganda remains amongst the 20 poorest countries in the world. The effects of poverty and exclusion have been intensified by conflict in many parts of the country. We therefore consider it important to explore with the Ugandan Government and other interested parties how a resolution to the conflicts can be achieved.

A2. Although corruption and control of government funds require further attention, Uganda meets many of the other requirements for good governance. The progress made towards democratic and accountable government since 1986 will reach a new and critical stage in the referendum, scheduled for 2000, on the future form of democracy.

A3. The Government has clearly signalled its commitment to the international development targets; and aims to reduce the number of people living in absolute poverty¹ to less than 10% by 2017. The Government's Poverty Eradication Action Plan (PEAP) sets out a coherent set of policies to achieve these targets, including the focusing of public expenditure on poverty eradication activities.

A4. Britain already has a strong development partnership with Uganda. We have good dialogue with the Government and most other donors on a wide range of important policy issues, including the budgetary process.

A5. The purpose of our strengthened relationship will be to contribute to sustainable improvements in the livelihoods and living conditions of poor people in Uganda. We expect our programme to have the following measurable impacts by the end of 2002:

- Governance will be improved and there will be a record of continued pro-poor economic and social policy reform;
- Sustainable productive opportunities and access to essential resources for the poor will have been improved;
- Education will have been improved, especially for the poor;
- Health outcomes will have been improved, especially for the poor; and
- Civil society's contribution to pro-poor policies, social progress and democratisation will have been strengthened.

A6. Britain is already one of Uganda's largest donors, but the challenge of poverty eradication requires an even greater commitment. Provided Uganda remains committed to policies for the reduction of poverty, including restraining military spending, and achieves progress in the areas of corruption, democratisation and conflict resolution, we propose to deepen our partnership with the Government and our collaboration with others involved in the development process. Given such progress, we propose to increase our financial assistance from about £40 million in 1997/98 to approximately £55 million per year by 2000/01.

¹ In the PEAP the lower absolute poverty line, to which this refers, is defined as the income needed to obtain 2,200 K calories a day. This was set at US\$15 a month in 1993/94. The upper absolute poverty line, which included an allowance for other basic needs, was set at about US\$24 a month.

B. THE CHALLENGE

THE MAIN INDICATORS

B1. The political upheaval of the 1970s and early 1980s left President Museveni's 1986 government with a legacy of poverty, macro-economic instability, decaying infrastructure and an oversized, demoralised and inefficient civil service. Despite good economic growth since 1986, averaging about 6.5% per annum, poverty remains widespread. With a GNP per capita of US\$300 in 1996, Uganda still ranks amongst the 20 poorest countries in the world.

B2. There is surprisingly little comprehensive poverty analysis. Recent household surveys indicate an overall reduction in poverty from 1992 to 1996, with the proportion of households below the Government's food and non-food basic needs poverty line falling from 56% to 46%. The liberalisation of coffee marketing has led to a dramatic increase in the income of many cash crop producers, but the poorest 20% of the population, particularly those with little involvement in cash crops, may be actually worse off. In 1992 the poorest 20% of the population shared 6.8% of national income. Adult illiteracy, at 38% in 1995, was slightly lower than the average for Sub-Saharan African countries.

B3. Life expectancy has fallen from 48 to 43 years over the period 1980 to 1995, largely because of the AIDS epidemic. Access to safe water may be as low as 34%. Infant and maternal mortality rates are both high (at 99 per 1000 and 550 per 100,000 live births respectively), and fertility rates, at 6.8 children per woman (1995), are amongst the highest in the world. The under five mortality rate has dropped from 180 per 1,000 in 1980, but remains high at 141 (1996).

B4. The constraints that poor people face in moving out of poverty vary. Common themes identified by poor people include: land subdivision due to population pressure; soil erosion and declining fertility; rising prices and poor access to agricultural inputs and improved agricultural technologies; inability to access markets due to poor communications; and the rising cost of living (local taxes, health care, schooling). Poor health status perpetuates poverty and the spread of HIV/AIDS has had a devastating impact, affecting poorer households disproportionately.

B5. While poverty remains an overwhelmingly rural phenomenon, there are important regional- and gender-based variations. For example, while consumption is estimated to have risen in the central and western parts of the country by 23% and 24% between 1992 and 1996, the figures for the eastern and northern regions were 12% and 9%. The disadvantage of women is reflected in the few disaggregated social indicators available, such as the illiteracy rate for women which, at 50%, was nearly twice that for men.

B6. The effects of poverty and exclusion are intensified by conflict and by crime. Conflict is still blocking normal development efforts in parts of the north, north-west, and west of the country. This is the major disincentive for the further investment needed to achieve the economic growth necessary for the reduction of poverty. Without regional and internal peace and security there is little hope of Uganda being able to achieve its own poverty eradication targets.

B7. Uganda faces a range of environmental stresses, including degradation of its natural resources, increasing industrial pollution and a growing lack of access to proper sanitation. The Government is taking steps to implement a National Environmental Action Plan and is strengthening the capacity of the National Environmental Management Authority and the environment management capacity of local government.

B. THE CHALLENGE

CONTINUED

THE POLITICAL SITUATION, GOVERNANCE AND HUMAN RIGHTS

B8. Uganda is governed by President Yoweri Museveni under a "no party" system called the Movement. This is permitted under the 1995 constitution, but is not without its critics. Notwithstanding severe limitations on activity by political parties, the presidential and parliamentary elections in May and June 1996 were generally held to reflect the views of the people. President Museveni secured 74% of the vote and Movement sympathisers won a majority in Parliament.

B9. Uganda has recently completed its local election process. A significant number of non-Movement councillors have been elected. However, the July 1998 Movement Conference, although intended to be inclusive of all political opinion, was boycotted by multi-partyists.

B10. The future role of political parties is to be considered by referendum in 2000. Ugandans must be free to choose what form of democracy they wish to have, but it is very important that everyone, including those who advocate a return to multi-party politics, is given a fair chance to present their views in the run-up to the referendum. The assurances already given by the Government in this respect must be honoured so that there can be no suspicion that Uganda is moving towards a one party state.

B11. The 1995 constitution formally separates powers between the President, legislature and judiciary. In practice the President retains considerable powers (eg through key appointments). Nevertheless both the Ugandan Parliament and the media exercise a high degree of freedom and are often critical of government policies. The level of parliamentary debate has strengthened considerably and the number of independent newspapers and radio stations has increased. Decentralisation is establishing a more effective lower tier of democracy and promoting participation in policy making. Key institutions such as the police and civil service are becoming more effective.

B12. There is a strong commitment to sound economic management and public sector reform. Although standards of integrity and accountability in government are generally

better than in some neighbouring countries, corruption is nevertheless a serious problem in parts of the executive, ministries and at district-level. In 1996/97, according to the Auditor General's report, approximately US\$70 million, or 7.6% of government resources, were not properly accounted for. Tax evasion and smuggling significantly reduce revenue, perhaps by as much as 30%.

B13. Civil service reform has reduced the numbers of civil servants between 1990 and May 1998 by 54%, to 163,000. This has freed up resources for high priority services and enabled all remaining civil servants to receive at least the designated minimum living wage (average pay for teachers rose by 300% in real terms over 1993-97).

B14. The Government recognises that the empowerment of women is critical to the overall development process, and progress has been made in promoting gender equality in national legal frameworks.

B15. The most serious human rights offences have been committed by the various rebel groups, particularly the Lords Resistance Army. However, the Ugandan Army (UPDF) has also been responsible for some infringements. As long as conflict continues the innocent will suffer.

B16. The number of prisoners being held on remand, often in appalling conditions, is of concern and was highlighted in a recent Amnesty International report.

ECONOMIC PROSPECTS AND ISSUES

B17. Uganda is a country still relatively reliant on agriculture, forestry and fisheries (43% of GDP). There is substantial scope for raising productivity in agriculture by increasing the take-up of proven cultivation methods and distribution of improved seeds; and through better market access. Diversification of export crops away from the heavy reliance on coffee to flowers, fish (the largest non-traditional agricultural export and almost entirely produced by artisanal fishers) and other higher value products has been significant, and needs to be maintained.

B. THE CHALLENGE

CONTINUED

B18. Much of the growth needed for poverty eradication must come from improvements in agriculture, and from the extension of access for the rural poor to resource and produce markets. A further part must come from non-farm production and the service sectors. The Government recognises the importance of the private sector as the engine for such growth. However, the poor state of transport links through Kenya severely inhibits Uganda's access to the sea and therefore to world markets. The other main structural constraints are an under-skilled labour force and a serious lag in power development (the development of the country's substantial hydro-power potential is difficult for both financial and environmental reasons). These constraints must be overcome if Uganda is to attract substantial foreign investment.

B19. Uganda's firm commitment to sound macro-economic policies has brought growth averaging over 6% a year over the last ten years and has led to implementation of the Heavily Indebted Poor Countries (HIPC) initiative to reduce the country's debt burden. These are major successes. However, domestic savings remain very low and revenue collection, which has risen from 6% to 11% of GDP but now appears to be stuck at this level, is a crucial weakness. Uganda is dependent on donors for one-third of its public expenditure, with official and other aid in-flows amounting to 8% of GDP. This dependency will continue unless Uganda can raise revenue collections over time towards 20% of GDP. This will be difficult in a small farm dominated economy where tax instruments beyond the narrow modern sector are hard to find. Success in raising revenues will permit the reforms necessary to integrate development with recurrent expenditure, ensure the sustainability of public investments, and define achievable programme delivery targets for the key poverty-reducing public sector programmes. The shift in allocations towards these programmes, started with the 1998 budget, needs to continue; while equal emphasis is placed on improving the control and efficiency of expenditures within them. The substantial progress made in reducing government involvement in activities better undertaken by the private sector needs to be maintained, with completion of the privatisation process in the remaining major parastatals (Uganda Electricity Board, Uganda Posts and Telecommunications) and the sale of remaining government

interests in other parastatals. This will release funds for the delivery of key pro-poor services.

PROSPECTS FOR THE ACHIEVEMENT OF POVERTY ERADICATION TARGETS

B20. The Government's 1997 Poverty Eradication Action Plan (PEAP) sets out a programme to reduce the number of people living in absolute poverty to less than 10% by 2017. This envisages four key strategies:

- maintaining the economic reform process;
- broadening economic growth and economic opportunities, particularly in agriculture;
- improving the provision of basic social services; and
- improving the country's capacity to respond quickly to economic problems.

B21. Given a 2.4% population growth rate, economic growth of at least 6% per annum over 20 years would be needed to halve the proportion of people below a poverty line of approximately US\$1 a day. Improvements in income distribution would of course accelerate the achievement of this goal.

B22. Uganda has already taken many measures to promote economic growth through better macro-economic management and liberalisation. If the international and PEAP targets are to be achieved, the reform effort will have to switch increasingly to the more difficult structural reforms needed to stimulate private investment and raise government revenues, improve the quality of public expenditures and increase poor people's access to employment, markets and public services. Decentralisation, to which the Government is already firmly committed, could help raise quality, access and accountability but also involves significant risks. The fight against corruption must be stepped up at all levels.

B. THE CHALLENGE

CONTINUED

B23. A key objective is to enable more of the rural poor to achieve sustainable increases in their incomes. This means improving access to markets, credit, and production methods, for both farm and off-farm employment. It requires a new agricultural policy framework to maximise private investment, while concentrating public spending within an affordable budget on the most effective interventions. Improved security is a vital component.

B24. The Ugandan Government is committed to expanding primary school attendance (from 74% in 1995) and to achieving universal primary education (UPE) by 2003, and has already made significant advances. Health coverage is not as poor as in some other developing countries, but in

1993 nearly a third of the population still lived over an hour's travel from an appropriate health facility²; and the quality of services needs to be improved. The Government is attempting to strengthen essential health services and has earmarked funds for a primary health grant to local authorities. However, the incidence of HIV/AIDS will make reduced mortality targets extremely difficult to achieve.

B25. Even with donor support, the Government's ability to finance the range of activities needed to reach the international development targets remains limited. The private sector and civil society will have an important role to play in achieving these targets.

² Defined as one able to provide treatment for common diseases and injuries, including availability of essential drugs on the national list.

C. PARTNERSHIPS

THE PARTNERSHIP WITH GOVERNMENT

C1. The Ugandan Government has clearly signalled its commitment to poverty eradication and has already established a good platform of economic reform from which to deliver improved services to the poor. Governance is generally good. Uganda is a signatory to the major environmental agreements and has established a strong National Environmental Management Agency (NEMA) to address such issues. We and other donors have good dialogue with the Government on a broad range of development issues. Donor/government co-ordination groups have been established for all the main sectors of the economy. Uganda has been one of the first countries in Africa to develop a medium-term budget process, which incorporates the PEAP; and to hold a transparent dialogue on this with civil society and with donors. DFID has played a significant role in promoting this approach, and has responded positively to requests for longer-term commitments to support the budget process. Britain is Uganda's largest bilateral donor, and second largest overall. We already have a strong partnership.

C2. Potential problem areas for our relationship include corruption, democratisation and insecurity, particularly in the west and the north. On corruption, the Government has acted by strengthening the Inspectorate of Government and has required MPs and senior officials to declare their wealth. There have been several dismissals of senior officials; and one junior minister has been censured by Parliament for being unable to explain satisfactorily the sources of his wealth. However, much remains to be done to strengthen the Government's accounting agencies, to improve district level accounting and auditing, and to improve payroll and other management systems.

C3. The democratisation issue is complex. Some commentators have noted a tendency for the Movement system to begin showing signs of one- rather than no-partyism. The progress made towards democratic and accountable government since 1986 will reach a new and critical stage in the referendum on the future form of democracy, scheduled for 2000.

C4. The international community recognises that it is entirely legitimate for Uganda to take action to protect its borders but would have serious concerns if military activities extended beyond this objective. Reliance on military means to deal with insurgents and Uganda's involvement in regional conflict also pre-empts the resources the Government has available to support other priority areas of expenditure. The donor community has made it clear that it does not wish to see defence expenditure increase to any significant extent.

C5. A solution to the problems in northern Uganda would have a greater immediate impact in terms of poverty reduction than many of the more traditional development activities in which we are already engaged. We should work with others to ensure that this is prioritised accordingly, including pursuit of peace through dialogue and negotiation.

OTHER PARTNERSHIPS

C6. Civil society in Uganda is starting to play a more prominent role in raising awareness of rights, undertaking advocacy on behalf of disadvantaged groups and generally holding the Government to account. The Government is reasonably tolerant of the growth of civil society but donor support will be important to enhance capacity and further promote pluralism. Organisations already exist to promote civil, political and women's rights and to monitor human rights.

C7. We still have some way to go in strengthening our collaboration with other key players in Uganda's development. We have a small but important programme of non-governmental organisation (NGO) projects, but need to deepen our relationship beyond that of donor/recipient with these and other parts of civil society. We have a growing programme of activities which support the private sector, and have already taken initiatives to promote private sector involvement in both the power and the roads sectors. We need to explore ways of stepping up private sector involvement in our other mainstream activities. An initial scoping study to see if we might work more closely with British business revealed limited opportunities; but we shall investigate developing links with other private sector partners.

C. PARTNERSHIPS

CONTINUED

OTHER DONORS

C8. In 1996 Uganda received approximately £430 million in official development assistance (oda) from 30 bilateral and multilateral agencies. After the UK (£44.5 million), the other main bilateral donors were Denmark (£43.6 million), Germany (£25.9 million), and The Netherlands and Sweden (£20.9 million each). The European Community and the European Union member states disbursed some £222 million, or 51% of total oda. The three largest multilaterals were the World Bank (IDA) (£74 million), the EC (£37 million) and the African Development Fund/Development Bank (£23 million).

C9. Britain's share of development assistance to Uganda through multilateral channels (such as the European Community, the World Bank and the United Nations agencies) is substantial, estimated at approximately £19 million in 1995. Our contribution to Uganda's share of the 7th and 8th European Development Funds (1990-2000) will exceed £40 million. In addition we have also contributed bilaterally to a range of UN agency-managed efforts.

C10. We have a good relationship with most major donors working in Uganda and we meet regularly with them and the Ugandan Government in a range of sub-groups covering nearly all sectors. In addition to our support for the medium-term budgetary process, our role in helping the Government and other donors develop the Education Sector Investment Programme has given us considerable experience in this important area of partnership. We are now building on this in other sectors (e.g. health and agriculture).

C11. We developed a close relationship with the EC during the UK Presidency, including undertaking a joint appraisal mission to northern Uganda. We will ensure that this is maintained. The World Bank's relationship with us and other donors concerning macro-economic and fiscal policy is good, but would benefit from further strengthening at the sectoral level. We shall attempt to strengthen our relationship with the African Development Bank if and when it establishes a regional presence.

D. CURRENT UK DEVELOPMENT PORTFOLIO

OBJECTIVES

D1. The existing portfolio of DFID activities covers support for economic reform; help to increase efficiency in the public service; improving livelihood security and access to land for the poor, through increased access to productive opportunities, health care and basic education; improving efficiency in the energy sector; the promotion of gender equality; and help for those affected by internal emergencies. Following the publication of last year's White Paper, DFID Eastern Africa (DFID EA) has been working to increase our understanding of poverty and the poverty impact of our programme.

APPROACH AND CONTENT

D2. In financial terms DFID-managed bilateral assistance is split almost equally between budgetary assistance (programme aid) and project-based assistance. Disbursements in 1997/98 were £19.1 million on programme aid and £20 million on bilateral project-based assistance. These were supplemented by a £6.3 million grant to a World

Bank trust fund to enable the African Development Bank to extend HIPC terms to Uganda, and by nearly £3 million disbursed through the World Food Programme (Box 1).

D3. Most of the UK's project-based development assistance is in support of government-led activities. Disbursements through civil society accounted for only about 7% of the overall programme in 1997/98.

D4. Other British development assistance includes a special programme through the office of the United Nations High Commissioner for Refugees (UNHCR) which is providing support for longer-term refugees from the Sudan, a major Commonwealth Development Corporation (CDC) investment portfolio, large Voluntary Service Overseas (VSO) and British Executive Service Overseas (BESO) programmes, a selection of NGO projects being supported through DFID's Joint Funding and Small Projects Schemes, and a range of research activities. We also support a small scholarship programme and academic links between Makerere and two UK universities.

BOX 1

UGANDA BILATERAL PROGRAMME DISBURSEMENTS IN 1997/98

Sector	Amount (£1000s)	% Project Framework
Agriculture, Forestry and Fisheries	438	2
Energy	1,955	10
Roads	1,532	8
Economic, Business and Finance	1,433	7
Good Government	1,423	7
Water and Sanitation	307	2
Education	1,432	7
Health and Population	7,688	38
Other Social Development	269	1
Emergency Aid ³	490	2
In Country Training	955	5
Other Non-Project Specific Disbursements	2,060	10
(Total Project Framework)	19,982)	
Programme Aid	19,122	(of which £15 million for UPE)
HIPC Trust Fund	6,305	
TOTAL BILATERAL PROGRAMME³	£45.409 million	

³ This excludes approximately £2.9 million provided through the World Food Programme in 1997/98 and our disbursements through the Joint Funding Scheme and in support of Southern Sudanese refugees.

D. CURRENT UK DEVELOPMENT PORTFOLIO

CONTINUED

EFFICIENCY, EFFECTIVENESS AND IMPACT

D5. Although the number of people living below the poverty line in Uganda has declined, the contribution which the UK's and other donors' efforts have made to this is difficult to measure. The poverty impact of our programme has been studied as part of a wider evaluation being managed by DFID's Evaluation Department. Early indications are that the report will identify a number of areas for improvement, including the need to: develop a clearer understanding of poverty in Uganda; better co-ordinate our efforts in different sectors; and be more aware of regional disparities within the country.

D6. The evaluation of poverty impact highlights the value of the budget support provided by our programme aid (£55 million in the last three years), alongside that of the EC and the international financial institutions. Achieving macro-economic stability has reversed the shrinkage of the cash economy and the decline of the export sectors caused by exchange rate over-valuation and state monopoly marketing. Other reforms have restored confiscated properties and begun the restructuring of government spending away from state enterprises and debt servicing towards better provision of education and other public services. Civil service reform has restored basic management systems and controls, helping to reduce opportunities for corruption and improve the efficiency of the civil service (approximately US\$3 million a year has been saved by the removal of ghost workers). The rise in private investment, financed to a large extent by capital reflows, is a reflection of gradually increasing confidence in the continuity of these policies. Even though it is hard to track the influence of programme aid and civil service reform through the economy down to household level, the recent data showing a 10% fall in the proportion of households below the Government's poverty line confirms that progress is being made.

D7. Uganda's surveillance systems also make it difficult to judge the overall impact of our efforts in the health sector, but there are some encouraging signs. For example, our and other donors' support for the 1997 National Immunisation Days to reduce polio helped Uganda achieve 92% and 94% coverage rates in the first two rounds; our assistance with the supply of contraceptives has contributed to a decrease in the total fertility rate; and our assistance in the fight against HIV/AIDS has helped to reduce HIV prevalence in young pregnant women from 26% in 1992 to 9% in 1996.

D8. DFID EA reviewed its strategy towards the education sector at the end of 1996. Since then we have refocused our efforts from the secondary sub-sector (where the results of an output-to-purpose review (OPR) indicated that our one remaining project was having no positive impact on poverty) towards support for basic and primary education. With the Government and others, we have helped develop an Education Sector Investment Programme (ESIP).

D9. In the transport and power sectors our projects have been building Uganda's capacity to manage and maintain the basic infrastructure needed for economic growth. Increased spending on roads has opened market access for rural populations. At the local level our roads projects are involving local communities in infrastructure management and providing opportunities for employment, skills and business development.

D10. Since 1997 we have been developing a programme of support for key policy initiatives and projects which will improve the livelihoods of the rural poor. Our recent support for the 1998 Land Act is worthy of special mention. The new lands legislation should improve the security of land tenure arrangements for many poor people.

D. CURRENT UK DEVELOPMENT PORTFOLIO

CONTINUED

Di1. Projects supported under our Direct Funding Initiative for non-governmental organisations have had a range of direct poverty reducing impacts. For example: our support for The AIDS Support Organisation, a local NGO, has helped improve the quality of life for 17,000 individuals and families affected by HIV/AIDS; our support for the Busoga Trust has helped improve the water and sanitation facilities of approximately 157,000 people across five districts; and our support for an Action Aid project is helping to provide educational opportunities for children who are too old to benefit from the recent expansion of free primary education.

Di2. The 14 final reports on projects completed since 1996 show that 12 achieved either all or nearly all their outputs. Two projects experienced significant drawbacks, mainly because of institutional weaknesses.

Di3. We need to do more to measure and improve the poverty impact of our programmes in Uganda, for example in the way we utilise DFID's output-to-purpose review and project completion report systems. We are already supporting the Government's Participatory Poverty Assessments as part of the ongoing development of the PEAP; we propose to help the Government strengthen its own statistical and other means of monitoring the impact on poverty of its public service delivery.

E. FUTURE UK DEVELOPMENT STRATEGY

E1. Provided Uganda remains committed to policies for the reduction of poverty, including restraining military spending, that appropriate attention is given to corruption and the effects of regional and internal insecurity on poor people's livelihoods, and that the 2000 referendum is carried out in an open and fair manner, DFID plans to increase significantly the level of resources deployed in support of the Government's Poverty Eradication Action Plan and other pro-poor activities.

E2. The goal and purpose of British development strategy in Uganda will be:

Goal: To reduce the proportion of Ugandans living in absolute poverty to less than 10% of the total population by 2017*.

Purpose: To contribute to sustainable improvements in the livelihoods and living conditions of poor people in Uganda.

* Ugandan Government Poverty Eradication Action Plan target

E3. We shall seek to achieve these through closer collaboration with the Government, civil society, the private sector and other donors and through the exercise of influence in other areas in support of these. We will encourage other donors to add their support to the medium-term budgetary process and will seek ways of further strengthening government capacity to improve the management and poverty impact of public services. Working with others, Britain will seek to make a measurable difference in five impact areas (Box 2).

BOX 2

UGANDA PROGRAMME IMPACT AREAS:

1. Improved governance and continued pro-poor economic and social policy reform.
2. Improved sustainable productive opportunities and access to essential resources for the poor.
3. Improved education, especially for the poor.
4. Improved health outcomes, especially for the poor.
5. Strengthened contribution by civil society to pro-poor policies, social progress and democratisation.

E4. The choice of these impact areas is based on: (a) our assessment of the available information on the causes of poverty and the needs of the poor in Uganda⁴; (b) government policy, as set out in the Poverty Eradication Action Plan; (c) priority areas for British development assistance, as set out in the White Paper; (d) our comparative advantage in terms of resource availability, UK and DFID expertise and experience, and what other donors are doing; and (e) the results of our dialogue with the Ugandan Government and others.

⁴ Such sources include the PEAP and participatory assessments of poverty which have been carried out by a range of international and local NGOs.

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

E5. In addressing each of the impact areas DFID EA will integrate fully the following cross-cutting issues:

- We shall seek to monitor and enhance the poverty impact of all our interventions.
- We shall promote greater gender equality in all our activities.
- We shall continue to appraise the environmental impact of all our activities and to monitor this where appropriate.
- We shall ensure that regional disparities in poverty, including access to services, are addressed through the programmes which we support.
- We shall increase the attention given to collaborating with other donors, particularly the EC and the World Bank.

E6. Now that the achievement of HIPC terms has reduced Uganda's debt burden to a sustainable level, DFID will explore ways in which we might provide bilateral assistance to the Government in the development of its trade strategy, including on World Trade Organisation (WTO) and Lomé issues.

E7. DFID EA will maintain contact with developments in DFID sectoral departments, including through their knowledge and research programmes, and draw upon these in support of country programme activities.

E8. DFID EA will also continue dialogue with the regional East African Co-operation (EAC) organisation. We will consider requests for assistance, in particular those which will improve transport and trade links, which might strengthen regional co-operation without duplicating functions which may best be undertaken or first require reform at the national level.

Impact Area 1: Improved governance and continued pro-poor economic and social policy reform.

E9. This impact area comprises actions which will help strengthen the foundations of governance and economic and social policy reform necessary for sustained pro-poor growth. Britain will continue to work with the Ugandan Government and other donors in support of policies which will improve governance, enhance gender equality and help maintain a macro-economic environment which is conducive to accelerated growth in incomes and broad based reductions in poverty.

E10. Peace is a precondition for normal development so we shall develop a new programme of activities designed to promote conflict resolution. This is likely to include assistance for those seeking to explore ways of achieving a peaceful resolution to the conflicts, and for the reintegration of ex-combatants. We are already committed to providing substantial additional assistance for reconstruction activities in the event of a peaceful settlement to the troubles in northern Uganda.

E11. As long as government policies and budgetary allocations continue to promote pro-poor economic growth we shall continue to work with the World Bank, the International Monetary Fund (IMF) and others to provide the Government with significant budgetary support. In order that these transfers become more predictable we shall attempt to develop multi-year programmes of support linked initially to the current ESAF (enhanced structural adjustment facility) period. As agreed medium-term sectoral strategies are developed, our budgetary assistance may increasingly support both the achievement of internationally agreed indicators of macro-economic management and important reforms in key sectors. We shall encourage other donors to respond in a similar manner. We shall provide support for government efforts to strengthen the statistical input into decision-making processes and to monitor better the impact of economic growth and other policies on the poor, progress towards development targets and the implementation of key sectoral plans. We shall encourage closer consideration of the environmental implications of

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

economic and other policies and seek ways of promoting national strategies for sustainable development.

Ei2. The private sector has a key role to play in ensuring the future growth of the economy and the reduction of poverty. We shall therefore seek ways in which we can assist in the development of an environment conducive to private sector investment, including regulatory and legislative aspects. We shall support the Government's divestment programme, to include parts of the Uganda Electricity Board and the setting up of a Roads Agency, in order to increase efficiency and release revenues for expenditure on key pro-poor services. In developing these activities we will seek to make appropriate use of the support facility being developed under the DFID supported Public-Private Infrastructure Facility initiative.

Ei3. The Ugandan Government acknowledges that tackling corruption is a priority which requires renewed effort. DFID will encourage the Government to develop an anti-corruption strategy and programme and will continue its support to the Inspectorate of Government and the Audit Office. Together with the World Bank we will assist in the introduction of improved budgeting and financial management and control systems. Such assistance will be closely linked with output targets developed under the Public Service Reform 2002 programme (PSRP 2002).

Ei4. Poor revenue collection performance is a serious constraint affecting the Government's ability to fund further improvements to basic services. Firmer action is needed to counteract corruption within the Uganda Revenue Authority (URA). The Government is considering radical proposals to address this. DFID will provide interim support to stem revenue losses whilst assisting the URA to develop a strategic plan.

Ei5. Support for the PSRP 2002 is essential for improving the quality and coverage of public services for the poor and will continue to have a key role in our programme. This will involve support to complete the ministerial restructuring exercise; introduce further improvements to public service pay and incentives; develop improved core financial and other management systems; and facilitate the implementation of sector development programmes.

Ei6. The continued decentralisation of responsibility for service provision to local government, including for health and education, has highlighted the importance of capacity building at this level. DFID hopes to develop a programme to strengthen this tier of government and the delivery of such services by ensuring effective working of the grant system, strengthening local revenue collection, enhancing local government financial, development and environmental planning and management systems, and training elected officials and district-level staff.

Ei7. Personal security, including the protection of personal assets from theft and the practices of corrupt officials, is important if people are to escape from poverty. Legal reform remains a priority for the Government but existing efforts have tended to be fragmented and poorly co-ordinated. We will work with the Government and other donors to encourage a more strategic approach to the sector based on a major DFID-funded review of the criminal justice system. Within this framework DFID will identify areas of support which will contribute to poverty reduction and reflect UK comparative advantage. This is likely to involve further support to the police and possibly some assistance to improve the performance of the courts and judiciary.

Ei8. We do not anticipate providing direct project assistance towards the costs of parliamentary or any other elections or the 2000 referendum. As fundamental aspects of the democratic process we consider that these should be incorporated fully into and funded from the national budget. However, we shall continue to support the civic education process and will provide some assistance to improve the efficiency of the administrative support available to Parliament.

Impact Area 2: Improved sustainable productive opportunities and access to essential resources for the poor.

Ei9. Britain's strategy in this area will be guided by the findings emerging from the participatory poverty analyses which we are helping the Government undertake. We are already aware that poverty is predominantly a rural phenomenon, that it is distributed unevenly geographically

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

and that poor households are more likely to be headed by the elderly, the young, widows, the disabled or the displaced. We shall work with the Government and others to ensure that an appropriate policy framework for sustainable livelihoods is established at the centre, while working at the district level and below in support of activities which will improve service delivery to the poor. One of the key areas which we plan to help the Government and other partners address is access to resources (particularly land, other environmental resources, labour and investment funds); to the knowledge, information and technology services which can guide how best to use these; and to markets.

E20. Activities under this impact area are therefore expected to include:

- assisting the Government to implement and ensure poor people are made aware of their rights under Uganda's newly adopted Lands legislation;
- assisting the Government to develop an appropriate policy framework and strategies for pro-poor sustainable livelihood development, including exploring whether we can help strengthen national strategies for sustainable development and the sustainable management of physical and natural resources.
- assisting government, civil society and the private sector to improve the interface between an appropriate and sustainable natural resource research capacity and poor farm households, particularly those in the northern and eastern districts;
- supporting efforts to improve the country's internal transport infrastructure and exploring ways in which we might help improve access for the country's produce to international markets through the ports of Mombasa and Dar es Salaam;
- helping develop financial and business services, with a particular focus on agencies which support micro-, small- and medium-sized enterprises (including those in the agricultural sector) and those which focus on working with women; the potential for promoting skills development and responsible business initiatives will also be explored;

- assisting poor people, particularly women, gain access to increased and sustainable supplies of clean water, forest products and appropriate forms of sustainable energy.

E21. We shall maintain a small programme of assistance for the urban poor, but do not envisage undertaking any major new initiatives in this area during the period covered by this strategy.

E22. We shall continue to offer emergency humanitarian assistance to those affected by severe weather conditions or by the ongoing conflict between the Government and rebel groups, particularly those living in Kitgum and Gulu districts. We shall explore ways in which such assistance, particularly in security-affected areas, might include laying the foundations for a future reconstruction effort.

E23. We shall contribute to the needs of longer term refugees, principally those from Southern Sudan, through the DFID Conflict and Humanitarian Affairs Department's special funding arrangement with the office of the UN High Commissioner for Refugees (UNHCR).

Impact Area 3: Improved education, especially for the poor.

E24. Education enables poor people to exercise accountability over those who govern them, to earn higher incomes and to better access services which may assist them to escape from poverty. The Government is committed to providing equitable access to high quality universal primary education by 2003. To help achieve this we have assisted in the development of an Education Sector Investment Programme (ESIP). Our main vehicle for supporting this will be through a £67 million, five-year sector development project. When approved in September 1998 this was the UK's largest single commitment in Africa.

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

E25. Other key elements of Uganda's ESIP include:

- enabling an effective public/private partnership, especially for post primary education;
- assuring cost efficiency and value for money in education delivery;
- strengthening policy planning and monitoring capacity within the central ministry; and
- building up school and district level capacity for planning, management and delivery of good quality education.

E26. The ESIP, particularly through the priority it gives to primary education, represents a firm foundation for a partnership with the Government and other donors. DFID is already supporting a pilot project for school construction which has been designed to test a common funding mechanism which we hope will be suitable for the overall programme.

E27. In addition to working with the Government, we shall also continue working with civil society, particularly to support non-formal education in districts which have the greatest educational need.

Impact Area 4: Improved health outcomes, especially for the poor.

E28. The burden of ill health (low life expectancy, high infant and maternal mortality, and high morbidity and mortality associated with malaria and HIV/AIDS and childhood illnesses) falls disproportionately on the poor. It undermines their opportunity to escape from poverty. The Government is committed to improve the delivery of basic health services as part of its PEAP and the evolving health policy and strategic framework. Government sectoral targets and current indicators are set out in Box 3

BOX 3

UGANDAN GOVERNMENT 2002 HEALTH TARGETS.

Government 2002 Target	Current Indicator
Reduce infant mortality to 78 per 1,000	1997 IMR: 97 per 1,000
Increase proportion of fully immunised infants to 60%	1995 fully immunised children 47%
Reduce under five mortality to 118 per 1,000 live births	1995 under five mortality 147 per 1,000
Reduce acute malnutrition in under fives to 3%	1991 5% acute malnutrition
Reduce maternal mortality to 400 per 100,000	1995 MMR 506 per 100,000
Increase contraceptive prevalence rate to 30%	1995 CPR 15% (all methods) and 9% (modern methods)
Reduce total fertility rate to 6.5	1995 TFR 6.8

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

E29. Britain will seek to support the Government's efforts to meet these challenges. In particular we shall:

- participate in the ongoing dialogue on health sector policy and strategy development;
- explore the possibility of DFID providing direct budgetary support for the Government health programme;
- provide support for districts where we are already engaged to rehabilitate their health care facilities, strengthen their health management systems, and improve the quality of essential health services, particularly sexual and reproductive health;
- support efforts to encourage politicians at the district level to prioritise spending on local health services;
- continue to support the expanded programme on immunisation and polio eradication; and
- improve understanding of the demographic situation by supporting the population census in 2000.

E30. During the 1999-2002 period the UK will increasingly focus its assistance on activities which will strengthen the delivery of integrated primary health care services at the district and sub-district level. By the end of the period we hope to have reached agreement with the Government and other donors on ways of providing more direct support to the Government's health sector strategy.

E31. Improved supplies of clean water and access to appropriate sanitation are an essential component of improved health outcomes and living conditions for poor people. DFID plans to increase its support for water supply and sanitation activities, specifically in those districts which are amongst the poorest served.

Impact Area 5: Strengthened contribution by civil society to pro-poor policies, social progress and democratisation.

E32. Britain will continue to work with civil society in order to build the capacity of local organisations to influence government and to conduct activities such as advocacy and awareness training. Key areas include civil and political rights; administration of justice and access to the legal system; the effectiveness of parliamentary processes; conflict resolution; economic and social rights; and the rights of women and children.

E33. DFID will develop a strategy based on direct interventions to strengthen selected indigenous organisations and finance for some of their activities. We will seek to mainstream these issues by incorporating civil society in all aspects of our sectoral work; and by ensuring that the public service reform activities which we support are developed in a participative and responsive manner which encourages the accountability of government to the general public.

E34. Through the Direct Funding Initiative we shall continue to provide support for community-based projects which directly assist poor people, are compatible with the broad strategies for British assistance set out in this paper and which may test innovative ideas for poverty reduction which could be replicable in our partnerships with the Government and others.

E35. Gender equality will be addressed as a cross-cutting issue in all our activities. However we shall also continue to support a programme of actions targeted specifically at the political empowerment of women, and at enabling poor women to exercise their rights.

E36. We shall continue to provide assistance to a broad range of groups within civil society, both local and international, through the DFID Joint Funding and Small Projects Schemes.

F. IMPLEMENTING THE NEW STRATEGY

F1. Achieving a measurable impact in each of these five areas will depend to a large extent on improving our understanding of poverty in Uganda and how our activities impact on different groups of poor people; and on strengthening our relationship with the Government, both centrally and at the district level, and with other partners and donors, particularly the World Bank, the IMF and the EC.

F2. We are already working with the Government and other partners to improve our understanding of poverty and of poor people's priorities. We have begun to draw on the findings of the ongoing DFID evaluation of the poverty impact of our programme, and we plan to increase the attention given to analysing the impact of our existing activities on the poor during our output-to-purpose reviews and project completion reports.

F3. The strengthening of partnerships will require increased contact and dialogue between our programme managers, those responsible for each impact area and key stakeholders

in Kampala and elsewhere in Uganda. Such increased contact, and plans for expanded programmes elsewhere in the region, will bring more pressure on the sectoral advisory and programme management capacity of DFID EA.

F4. We are also working to reduce the number of individual projects while increasing the overall size of the programme. In parallel to this the Government is undertaking its own study of the comparative advantage of different donor agencies in different sectors. We shall take the findings of this into account in considering our medium-term sectoral plans. Sector development programmes are expected to play an important role in reducing the pressure on DFID's management resources as well as in strengthening our overall partnership with the Government.

F5. DFID EA has been increasing its staff in Uganda and further additions are planned. DFID EA and the Government both recognise the value of a strong local presence in Kampala.

G. PROGRAMME RESOURCES

G1. In recognition of the strength of our partnership with Uganda, and given progress in the areas of corruption, democratisation and conflict resolution, Britain plans to increase the size of its bilateral development assistance programme from approximately £40 million in 1997/98 (excluding the contribution to HIPC Trust Fund for the African Development Bank) to approximately £55 million by

2000/2001. This will represent an increase of approximately 11% per annum in cash and 8.5% per annum in real terms. All financial allocations will be met from overall DFID Africa Division allocations. However, in the event of a peaceful settlement to the troubles in northern Uganda we may seek additional funds to help finance a major reconstruction programme.

SUMMARY OF CONSULTATION PROCESS

Work on the Country Strategy Paper began in early 1998 when DFID EA advisory staff were asked to prepare background papers summarising the challenges facing their sectors; the content and poverty impact of their current portfolio of activities; and their proposals for the CSP period.

The British High Commission in Kampala has been involved throughout the process and helped facilitate contact with other partners in Uganda. The first consultative draft was completed by DFID EA at the end of July.

PREPARATORY STUDIES, REVIEWS AND STRATEGY PAPERS

These included:

TITLE	BY	DATE
Private Sector Strategy Review	DFID HQ and DFID EA	January 1998
Evaluation of Poverty Impact	UK Consultants/ DFID HQ Evaluation Dept.	March-June 1998
Gender Strategy Review	DFID EA	April 1998
Various Sectoral Papers	DFID EA	May-June 1998
Civil Society Consultation	DFID EA and BHC	June-September 1998
Environmental Sustainability Review	DFID HQ	September 1998

DISCUSSIONS WITH LOCAL PARTNERS

Government of Uganda

DFID EA and BHC staff met with representatives of the Ministries of Planning, Finance and Local Government in May to explain the CSP process, place this in the context of the White Paper, and describe our plans for a broad-based consultation exercise involving government ministries, other donors, civil society and representatives of the private sector. At the end of July a consultative draft of the CSP was circulated by the High Commission to government ministries. Copy recipients were invited to provide

comments through the Ministry of Finance, Planning and Economic Development (MFPED) or direct to DFID EA and informed of the intention to hold a workshop in September. Prior to the workshop, individual advisers sought opportunities to discuss the draft with their key interlocutors.

The workshop with government officials was held on 18 September. It was chaired by the Permanent Secretary of the MFPED and was attended by representatives of most of the line ministries with whom we work.

Civil Society/NGOs

DFID EA has developed a close relationship with NGOs and a range of representatives of civil society through its Direct Funding Initiative. Our key civil society and other contacts were provided with copies of the consultative draft at the same time as the Ugandan Government and were invited to comment and/or attend a workshop. This was held on 10 September and was attended by 26 representatives of civil society and the private sector. It was timed to follow on from a morning workshop to consider the findings of work commissioned as part of a wider DFID civil society consultation exercise.

Private Sector

Key private sector contacts were sent copies of the consultative draft at the same time as civil society and the Government. They were also invited to attend the civil society workshop in September. The prospects of a strengthened partnership with the private sector were also explored during the course of January's Private Sector Strategy mission.

Other Partners

During the week beginning 14 September bilateral discussions were held with other key bilateral and multilateral donors (including the EC and the World Bank). All concerned had been sent copies of the consultative draft.

DISCUSSIONS WITH UK PARTNERS

In addition to discussions in Uganda, DFID EA staff have taken the opportunity of visits to the UK to explain the process and subsequently present drafts of the CSP to the Ugandan High Commission.

On 17 September the head of DFID EA led a discussion of the draft CSP, its main findings and ways in which to try and develop our partnership with UK business interests at a meeting with representatives of British business in the UK.

In October DFID headquarters departments and chief advisers, the Foreign and Commonwealth Office, the Treasury and the Department of Trade and Industry were invited to comment on the second draft.

Comments from the Ugandan Government, DFID headquarters and other stakeholders were taken into account in finalising the CSP for consideration by DFID senior management at a meeting on 5 November, following which some further drafting changes were made. The final draft was presented to the Secretary of State on 10 December 1998.

COUNTRY PROGRAMME EXPENDITURE PROFILE

(NB: These forecasts are approximate and include a considerable over-programming element in order to cover slippage, which has historically been of the order of 30% to 40%. All forecasts are in £ millions and are indicative only.)

£ MILLION	1998/99	1999/00	2000/01	2001/02
BINDING COMMITMENTS				
Renewable Natural Resources and Rural and Social Development	1.9	2.5	1.8	1.4
Energy	3.0	1.0	0	0
Transport (Roads)	3.0	3.0	2.7	0
Economic Policies and Enterprise Development	2.0	1.2	0.4	0
Good Governance	1.8	0.9	0.3	0.05
Water & Sanitation	0.4	0	0	0
Education*	3.0*	1.6*	0*	0*
Health & Population	7.6	6.0	4.1	0.05
Civil Society	0.1	0	0	0
Emergency	1.0	0.3	0	0
Other	2.5	0	0	0
TOTAL COMMITMENTS (PROJECTS)	26.3	16.5	9.3	1.5
OTHER PLANS				
Renewable Natural Resources and Rural and Social Development	1.1	2.5	3.7	4.1
Energy	0	0.5	1.0	0.5
Transport (Roads)	0	1.0	1.3	4.0
Economic Policies and Enterprise Development	0	1.8	2.6	3.0
Good Governance	0.3	4.1	4.2	4.0
Water & Sanitation	0.1	1.5	1.5	1.5
Education	12.0	13.0	13.0	13.0
Health & Population	3.4	5.0	6.0	11.0
Civil Society	0.3	0.4	0.4	0.4
Emergency	0	0.7	1.0	1.0
Other	0	2.5	2.5	2.5
TOTAL OTHER PLANS (PROJECTS)	17.2	33.0	37.2	45.0
GRAND TOTAL (PROJECTS)	43.5	49.5	46.5	46.5
Probable Rate of Disbursement (projects)	27.0	30.0	35.0	35.0
Programme Aid (Indicative)	18.0	20.0	20.0	20.0
PROBABLE TOTAL DISBURSEMENT	45.0	50.0	55.0	55.0

(* Excludes support for ESIP, recently approved at approximately £13-£14 million per annum)

These figures have been prepared as part of the consultative process undertaken by DFID EA in preparation for the new Country Strategy Paper. They must not be interpreted as a firm commitment and could be subject to major revision by the UK Government.