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Uganda: Putting Development before Debt

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Zie Gariyo is co-ordinator of the Uganda Debt Network which comprises nearly 70 member organisations and engages in strategic alliances with other key groups in Ugandan society such as the Joint Christian Council, trade union, student and producer groups. His paper provides a comprehensive assessment of the current debt and poverty situation in Uganda. He highlights the challenges in tackling poverty within the current context of debt and adjustment programmes. Based on the experiences of Ugandan NGOs, Gariyo emphasises that building a strong and well informed civil society is essential in achieving poverty eradication and sustainable development in Uganda and elsewhere. He concludes with suggestions on how effective participation can be achieved.

Introduction

Uganda's population of over 20 million comprises numerous ethnic groups who speak over 30 languages and whose cultures vary significantly. Over the past few

years it has come to be regarded as one of the positive examples of a country that is reforming its economy. While its macro-level growth performance has been relatively good the country still faces acute levels of poverty, human deprivation, infrastructure shortfalls, difficulties in stamping out corruption, and perhaps most importantly of all in terms of the wellbeing of its population an AIDs crisis.[1]

Like many other developing countries Uganda's external debt is a major obstacle to poverty eradication. Debt servicing is diverting essential resources from investments in improving the quality of people's lives and in some cases from saving their lives through properly resourced AIDs and other health programmes. The result is that education and health services are not accessible for the majority of people, particularly women, children, the aged and those with disabilities.

Uganda like many other indebted developing countries has for years been caught in a vicious circle of poverty, deprivation, political conflict and civil strife fuelled by the inability of its government to meet the basic needs of its citizens. The international economic system championed by the International Monetary Fund (IMF) and the World Bank and based on the primacy of markets has worsened rather than resolved the debt crisis. Most developing nations are currently undertaking structural adjustment programmes (SAPs) imposed by the IMF/World Bank at the behest of the G7 group of nations which comprise the vast majority of these institutions' shareholders. Overall these programmes have compounded poverty in many countries. This is not to deny that such programmes have not had some positive effects. For instance macroeconomic stability has been achieved, inflation rates have been reduced, public spending levels have been controlled and in the Ugandan case consistently high growth rates have been achieved, averaging 6% per year over the past decade. Currently, there is increased investor and donor confidence in the Ugandan economy and the government has been able to expand its taxation revenue base.

At the same time national development strategies and the capacities to implement these have been made subordinate to structural adjustment programmes. And when one examines the impact of adjustment on tackling poverty the results are not impressive. Despite growth, social indicators are still some of the lowest in sub-Saharan Africa, social expenditures remain low, per capita income performance has been poor and the taxation base, while broadened, remains limited as revenue still accounts for only 11% of GDP.[2]

Many public servants and workers in the formal economy have been retrenched thus losing their souree of income and graduate unemployment remains high. While Uganda has produced about 10,000 graduates a year for the past five years the government has recruited no new employees into the civil service. This situation has severely weakened the government's capacity to initiate and implement viable policy programmes. Private sector development has been prioritised at the expense of the social sector and particular groups of people remain very vulnerable, notably women and children. About half of children under 5 years are malnourished and 20% suffer stunted growth.

The impact of this debt burden must be seen within the context of acute human deprivation and weak social development. Uganda faces a score of problems as it enters the new century. Eleven percent of its children or 1.1 million were orphans to the AIDs virus at the end of 1997. The disease is literally tearing the fabric of society apart at huge human and social costs. To date 1.8 million have died and 1.7 million children have lost one or both parents. According to the latest *World Development Report* the country's mortality rate for under fives is 162 per 1,000, male and female life expectancy is 43 and 42 years respectively. Female illiteracy is 47% and male illiteracy is 25%. On top of this the country's external debt rose from $2.6 billion in 1990 to $3.7 billion in 1997.

Uganda's debt

Uganda is a highly indebted poor country. According to 1998 figures from the Government of Uganda, 75% of the total external debt is owed to the IMF/ World Bank, 10% to bilateral ereditors and 3% to commercial and miscellaneous creditors. Uganda's external debt has grown over the past decade even though the country has been implementing comprehensive SAPs. In 1987, Uganda's debt stock stood at $1,945 million. By 1997 it had grown to over $3.7 billion.

This rapidly rising debt burden is partly due to donor policies and the conditionalities attaehed to SAPs. IMF and World Bank loan conditionalities under SAPs have undermined the decision-making processes and capacity of government. So called highly concessional loans payable over a long period have effectively eroded the country's ability to borrow from other sources. This

is because without an IMF/World Bank programme bilateral donors will not provide grants to the government.[3] And as the loans provided by the IMF and World Bank are so cheap and readily available compared to other sources of finance governments do not feel obligared to pursue alternative avenues for borrowing.

The country's heavy external debt burden is also partly due to poor policy formulation and planning. Until 1993 the government did not have a debt strategy. This lead to a situation where the country owed 300 loans to 80 creditors. Economic and social stagnation over decades of political conflict and the politics of dictatorship[4] and corruption worsened this situation. By the mid 1980s most economic activities notably agriculture, commerce and manufacturing were in crisis.

Until 1993 each ministry could take out its own foreign loans without the consent of the Ministry of Finance. Legally, the Minister of Finance was only a signatory to these loan contracts. However, in 1993 the system was changed so that any ministry wishing to borrow has to get the consent of the Minister of Finance. This system was reformed again in 1996. Since then the government cannot borrow on its behalf or on behalf of its agents without authorisation from Parliament as provided for in the Constitution of the Republic of Uganda.

Debt relief and poverty eradication

In 1996 Uganda was categorised by the World Bank as a heavily indebted poor country and became eligible for debt relief under the HIPC (heavily indebted poor country initiative) in 1998.[5] It was one of the first beneficiaries of a package hailed at its launch by World Bank President James Wolfensohn as "good news for the world's poor" but which has since been severely criticised as providing debt relief which is both too little and too late. Uganda has become eligible for debt relief amounting to $350 million in net present value terms. This means that Uganda will receive a debt relief package comprising over $40 million a year for the next six years. The government has committed itself to spending the savings made on tackling poverty and human deprivation and to achieve this in the financial year 1998/99 it established a Poverty Action Fund (PAF).

A strategy for spending debt relief and donor assistance has been formulated known as the Poverty Eradication Action Plan (PEAP). Under the PEAP certain sectors have been prioritised, namely, health, education, water and sanitation, agricultural extension and rural roads. To date over $56 million has been mobilised. In addition to the government's contribution, donors contributed over $16 million to the PAF for the financial year 1998/99.

The PEAP was developed by the government in 1997 with the participation of civil society organisations. This was done to target investments into those areas most likely to contribute towards poverty eradication and also as a mechanism for attracting donor and other support. Aside from priority sectors for the allocation of investment finance the plan sets out a number of key component strategies for effectively tackling poverty. These are good governance, security, social investment and infrastructure development.

Through additional financing under the PAF, expenditure on rural roads increased by 125% in the 1998/99 financial year. Such investment is sorely needed for current and future agricultural and rural development. Due to additional resources from the PAF, there has been a marked increase in available resources in the budget for social sector development. Thus, expenditure for the social sector increased by over 132% in the 1998/99 financial year. In the year 1999/2000 the social sector budget has been increased by a further 84% and new economic programme areas such as micro-finance and cattle restocking for areas that lost their herds during the insurgency have been included. Even though NGOs did not participate in the design of the PAF, the setting up of this special Fund and the plan for utilising the resources which it has generated have been welcomed by NGOs.

Resources, which were not spent in the 1998/99 financial year, were carried over into 1999/2000. Thus for a second year in a row there has been a huge increase in resources available for Poverty Eradication Programmes i.e. a rise of 173% on top of a previous increase of 99%.

Meanwhile due to success in the implementation of PAF, donors have increased their contribution. In the financial year 1998/99 donor contributions to PAF were only UGS (Ugandan shillings) 12.11 billion.[6] In the financial year 1999/2000 this rose to over UGS74 billion. Government resources increased from UGS45 billion in the financial year 1998/99 to UGS79 billion in 1999/2000, with the bulk of additional resources being invested in the social sector, most notably on the construction of classrooms to achieve the government's objective of universal

primary education (UPE).[7] This programme provides free education for at least four children per family (although most parents enrolled all their children pointing out that it was the President's promise and the government has not challenged this). Since then primary school enrolment has increased from 2.9 to 6.5 million children. In addition funds for the maintenance of rural roads, for the construction of clean water sources, primary health care and to provide incentives for health staff such as lunches as part of their work payments have been put in place. However, while the number of pupils accessing basic education has risen the quality of education has deteriorated as there are insufficient classrooms and teachers to deal with rhe rapid increase in numbers.

As part of the process of increasing transparency, expenditures under the PAF are publicly monitored. The government organises quarterly meetings attended by donors, government officials from line ministries, NGOs, and the media. Government ministries present an account of fund allocations at both sectoral and district level and NGOs have been encouraged to monitor the utilisation of funds.[8] These quarterly meetings provide a forum for making suggestions for changes in the implementation structure and processing of the fund.

Although NGOs have welcomed the government's stated commitment to facilitate improved monitoring of resource utilisation under the PAF, to date consultation remains limited as it is only carried out at national level. Community based organisations and various interest groups lack knowledge on the operationalisation and impact of the PAF even though they are regarded as being among the Fund's primary beneficiaries or target groups. Moreover, while transparency in the use of the PAF is an extremely positive development, the PAF remains the only fund with a regular mechanism for public accountability. There is no corresponding mechanism for accountability for the rest of the budget.

The government's debt strategy – towards public and parliamentary accountability?

Article 159 of the 1995 Constitution states that the government may not borrow on its own behalf or on behalf of its agencies without authorisarion from Parliament. Highly concessional loans with a grant element of 80% and long-term repayment periods are preferred. At the same time the government has committed itself to prioritise loans towards poverty eradication, and especially towards investment in the social sector so as to increase the country's human and social capital.

While the role of Parliament in the control of Uganda's debt burden has yet to be assessed in detail,[9] suffice to say, it has led to a significant reduction in the number of loans that the government has been able to contract. Some loans have already been rejected by Parliament if they were not thought to contribute directly to poverty eradication and social development. Others have been strongly questioned and only approved where their components were found to be appropriate.

However, it is important not to exaggerate the influence or role played by Parliament. This role is limited. While parliamentary approval is required for budgetary estimates, it can still take the Parliament 2 to 3 years, though its Public Accounts Committee, to access information from the expenditure reports of the Auditor General. Thus it is not a wholly effective method for ensuring accountability.

NGOs and the Poverty Action Fund (PAF)

NGOs have attempted to establish a co-ordinated framework to monitor the utilisation of public resources in general and the PAF in particular. Every three months, under the leadership of Uganda Debt Network (UDN), a meeting of NGOs and other civil society actors is called to discuss the utilisation of the PAF. Arising from these sessions NGOs have suggested that guidelines should be agreed with the Government which would clearly

define their role in monitoring the PAF. In June 1999 NGOs presented a preliminary report to the government and donors on the PAF. The report was based on an initial field based analysis of the implementation of PAF and highlighted some weaknesses in the government system.

These included:

- a lack of knowledge by communities and other stakeholders about the PAF and its role in poverty eradication; and in particular
- a lack of knowledge among local government officials of the existence of the PAF.

Arising from this research it has been recommended that a comprehensive programme should be put in place to sensitise communities and government officials about PAF, its objectives and operational modalities.[10] As part of this over the next year a countrywide network is to be set up as an effective framework for monitoring and evaluating the utilisation of public monies such as PAF and other budgetary resources. As about 30% of total public expenditure is currently spent at local level such a structure is urgently required.

UDN has also embarked on a process of monitoring the utilisation of PAF resources and is analysing, publicising and disseminating its research findings. The government has committed itself to providing more detailed information on the PAF and other expenditures. Mechanisms for this include monthly publication in local media of all such expenditures and on district noticeboards. As Uganda's population includes a large number of illiterate people other methods of dissemination include radio programmes while announcements in local council meetings and quarterly district level meetings have also been suggested.

However, to achieve greater participation by civil society a number of weaknesses need to be addressed:

- the inadequate resources allocated to nationwide sensitisation exercises by NGOs;
- the lack of regular and systematic dialogue between civil society, government and donors. While meetings do take place these still lack a clear agenda;
- insufficient organisation and capacity among NGOs limiting

their ability to hold government and donors to account. This is especially the case at district level where NGOs have limited capacity to engage in dialogue and to mobilise the media on these issues.

Despite these shortcomings, in some cases mechanisms for utilising resources under the PAF have become more flexible. These include greater scope for participation by local contractors in implementing activities such as classroom construction and road maintenance. Such opportunities increase awareness of the PAF and provide direct employment and other benefits to local people.

Debt relief and the fungibility of resources

The government has committed itself to further increasing its budgetary allocation for priority areas under the Poverty Eradication Action Plan (PEAP). For example overall government spending on health expanded from 3% to 7.5% of total recurrent expenditure between the financial years 1997/1998 and 1998/1999. The corresponding growth in the share of education spending was from 8.7% to over 20%.

Budgetary resources for social sector development, however, have to compete with other sectors. This means that there is always the risk of a diversion of scarce resources, including savings from debt relief from social development and into other expenditures such as defence. As the pressure to contain numerous insurgencies and to end civil wars intensifies, the government has felt compelled to spend more in equipping the army and on military hardware such as tanks, helicopters, gunships and anti-aircraft guns. According to newspaper reports defence expenditure is estimated to have risen by up to 40% between 1997/1998 and 1998/1999. These expenditures undermine the ability of the government to provide for the basic needs of the population and to move steadily and speedily on poverty eradication programmes. At the same time there have been reports of a lack of funds for officials to undertake routine activities such as field visits and monitoring. While salaries are being paid staff capacity to effectively carry out their responsibilities is constrained, as staff are often unable to travel out of head office.

The government has been under pressure from donors and international development agencies to reduce defence expenditure. Prior to the June 1999 budget the government pledged to reduce defence expenditure by 20%. According to the budget estimates for 1998/99, defence alone constitutes 26% of total budgetary expenditure. This compares unfavourably with health at 7.5% and education at around 20%. The increase in health and education is a result of money released through debt relief and donor funds. The bulk of defence expenditure is derived from revenue collections. Moreover, defence expenditure has been consistently within the range of 18 – 20% of total expenditure over the past 10 years.

Increased defence expenditure has been justified by the government by pointing out that the country has been battling against insurgencies over the past decade. Insurgencies in the north and west have taken a toll on overall efforts to tackle poverty. The government argues that unless security is guaranteed, poverty cannot be eradicated and economic growth, projected to continue at over 6%, cannot be sustained. Uganda's participation in the Democratic Republic of Congo conflict has also complicated its commitment to poverty eradication.

The issue of high defence expenditure has been at the centre of intense debate between government and donors. In December 1998 during the Consultative Group (CG) meetings, most donors and international development agencies urged drastic defence cuts. They also demanded accountability and transparency mechanisms to apprehend and punish public officials who embezzle public resources. In response President Museveni argued that there is need to guarantee security in the Great Lakes region by identifying and punishing the perpetrators of genocide. Thus he seemed to suggest that the onus for the security of the Great Lakes region rests with Uganda.[11]

Corrupting the impact of debt relief

The issue of corruption is a vital one. Reports of embezzlement of public resources have become endemic in the media.[12] Numerous anti-corruption agencies such as the Inspector General of Government, the Director of Public Prosecutions and

a Ministry for Ethics and Integrity as well as the police have been assigned to fight corruption. A Leadership Code of Conduct has been implemented requiring senior government officials to declare their assets and liabilities. Lack of human and financial resources have nevertheless affected the way the agencies conduct their business. Most investigations are not carried out and because of staff limitations only a few cases are investigated.

A weak legal system and a lack of political will undermine the fight against corruption. Although a number of persons including senior government and military officers have been implicated in corrupt practices, very few have been taken to court. And since the court system is lengthy and the legal provisions not very explicit about corruption, most cases take a very long time in court and end without conviction. The proliferation of radio and television networks has given a boost to the fight against corruption as more demands for investigation are being broadcast in the electronic media. This has mobilised public opinion against corruption. In turn the government, as in the case of a commission of inquiry into police corruption, has began to take seriously the demands by the public for an end to corruption. The leadership code is soon to be amended to ensure that even the properties of spouses are declared and all declarations will be made public.

Some challenges to civil society's participation in policy planning

In principle citizens are expected to participate in the planning process in Uganda and the 1995 Constitution mandates the government to make it possible for people to participate in influencing policies that affect them. It also provides for establishment of a National Planning Authority. In addition the Local Government Act provides that district plans should take on board the plans of lower councils. The Uganda Debt Network is one NGO grouping which has taken a keen interest in monitoring the Poverty Action Fund (PAF). The Network is currently a focal point and a facilitator of civil society organizations invited to the quarterly meetings of the PAF. Yet citizens' participation still lacks a formal and institutionalised framework. The National Planning Authority is not yet in place and participation remains *ad hoc*.

While overall citizens' participation has been limited by the factors outlined above, the participation by women in national programming has been minimal. For instance, PAF expenditure targeting does not explicitly identify women, as primary beneficiaries although as already indicated their social indicators are some of the lowest. This is in spite of the government's commitment to implementing a gender balanced development policy. The National Gender Policy Framework has not been fully implemented.[13] Preliminary investigations show that budget estimates and public expenditure are not disaggregated and analysed according to gender.[14] Although the government has committed a lot of resources in implementing the Universal Primary Education (UPE) Programme, there is no direct targeting of girls' education to reverse the historical and socio-cultural impediments towards girls' education resulting in a literacy rate of 38% for women compared to 65% for men.

Low female participation is compounded by a lack of research on the impact of policies and programmes on women. Currently, gender is not a measurement tool in assessing poverty and in devising plans. Women's lower education status precludes their effective participation in any dialogue that seeks to change their social status. Gender inequalities are reproduced in the political arena where only a small fraction of women are represented in Parliament. Of the 277 Members of Parliament 51 are women and of these only 8 were directly elected. The balance were nominated through an affirmative action programme.

The government has developed an Agriculture Modernisation Plan that provides for appropriate technologies. The problem with the plan is that women do not control or own land. The recent land law effectively marginalised women by failing to incorporate a co-ownership clause for spouses. Thus appropriate technology is likely to favour men more than women who presently contribute 85% of agricultural labour. Women's labour is engaged in both cash and food crop production. The Poverty Eradication Action Plan (PEAP) has highlighted agriculture as a key sector in eradicating poverty and the modernisation of agriculture has been identified as a priority, including the development of an entrepreneurial approach in agricultural production. The role of women who account for the majority of poor people is not properly accounted for in this programme. Hence government efforts to tackle poverty must allow for participation by women and their representative organisations in civil society.

Conclusion

This analysis has attempted to highlight the contribution of debt relief towards poverty eradication in a HIPC country such as Uganda and the complexities of implementing a poverty focused debt relief strategy. The analysis has shown that whereas debt relief is an important input into poverty eradication, there is need to develop a comprehensive programme to ensure that the savings reach intended beneficiaries. The Poverty Action Fund is one mechanism in contributing to the goal of poverty eradication. The success of this initiative, however, depends on the strength of the collaboration between civil society, donors and the government. The commitment by government to invest all the savings from debt relief into poverty eradication and social sector development in particular is an important step towards achieving the poverty objectives of debt relief. Equally important to the success of any such policy is putting in place effective systems of accountability and transparency and for ownership by wider Ugandan society of such programmes. The media have a vital role to play in such a process.

Uganda as one of the initial beneficiaries of the HIPC is now a frontrunner among countries regarded as well placed in formulating poverty reduction strategy papers.[15] These papers form part of the wider World Bank and IMF policy, announced at this year's annual general meetings, of making poverty reduction the core objective of all their lending and macroeconomic policies.[16] Ugandan civil society groups, and the poor in particular, have known for many years what seems relatively new to these international bodies. Namely, without local ownership and direction of programmes, both by national governments, parliament, officials and civil society, the impact of macrolevel policies on tackling poverty are at best minimal and at worst destructive. With proper participation and ownership of such programmes the benefits in terms of poverty eradication and in terms of building a culture of democracy, peace and democracy would be immense.

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Footnotes

1 Uganda Debt Network, UDN, editorial August 1999

2 In OECD countries this share averages around 25%.

3 For instance EU countries are the primary source for bilateral loans and grants. But such loans and grants are also usually accessed through IMF structural adjustment programmes or as project support from the World Bank. The IMF and World Bank also provide the clean bill of health or good track record of macro-economic performance that donors seek before releasing funds.

4 Much of the debt incurred can be termed odious debt as it accrued under the dictatorships of Idi Amin and Milton Obote and was a source of suffering rather than development for the people.

5 For information on HIPC see: www.trocaire.org; www.worldbank.org; www.imf.org

6 1 US$ = UGS 1450 (August 1998 exchange rates)

7 UPE was launched in 1997. At the time enrolment in primary schools was only 2.9 million. In May 1999 enrolment had reached 6.5 million. This means that more than 42,000 classrooms have to be built and 68,000 teachers have to be recruited to sustain the programme.

8 A preliminary assessment by UDN and other NGOS indicates that at the lower levels of local government there is no information about the PAF and that monitoring is limited to implementation officials. NGOs have expressed concern about this issue in the quarterly report presented at the PAF meeting. In the meantime, UDN and other NGOs are preparing to analyse the implementation and utilisation of resources from PAF at community level to determine whether there is a benefit or an improvement in delivery of services.

9 Uganda Debt Network is in the process of documenting the role of parliament in the management of Uganda's debt with a view to laying the basis for a more comprehensive legislative framework to improve the control of government borrowing.

10 UDN has developed a briefing paper on PAF that is being circulated to the public.

11 The pledge to cut defence spending by 20% in the financial year 1999/2000 may not be possible without a change of policy on Uganda's involvement in DRC.

12 A judicial commission of inquiry into corruption has now been instituted. Its revelations are almost too stunning to comprehend. It is alleged that senior police officers accepted large sums of money to foil a murder investigation. Revelations indicate that the same officers have been diverting public resources to their personal use and abused their positions in many other ways.

13 The government has developed a National Gender Policy Framework to mainstream gender in development policy planning, design and implementation.

14 According to policy analysis carried out by Forum for Women in Development, a women's NGO implementing, a gender budget project in Uganda.

15 Uganda is expected to embark on the process early on, i.e., before the end of 1999.

16 For information on these papers and on these institutions decision to rename the enhanced structural adjustment facility – and on the poverty reduction and growth facility see www.trocaire.org; www.imf.org