

# Country Programme Uganda 2003–2005

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# Table of Contents

<i>Table of Contents</i> .....	2
<i>Abbreviations</i> .....	3
<b>1. Executive Summary</b> .....	<b>6</b>
<b>2. Basic Country Information</b> .....	<b>7</b>
2.1 Uganda at a glance .....	7
2.2 Line of departure for Uganda’s contemporary development .....	7
2.3 Recent trends in economic policy and macroeconomic performance .....	7
2.4. The Political Situation.....	9
2.4.1. Movement System .....	9
2.4.2. Referendum 2000 and consecutive elections .....	9
2.4.3. The Way Forward .....	9
2.4.4. Rebellions in North and West.....	9
2.4.5. External Conflicts affecting Uganda .....	10
<b>3. Development Analysis</b> .....	<b>10</b>
3.1. Status of Poverty.....	10
3.2. Strategies to address poverty and development .....	12
3.2.1. The Comprehensive Development Framework approach.....	12
3.2.2. Vision 2025 .....	12
3.2.3. Poverty Eradication Action Plan (PEAP) .....	13
3.3. Good Governance as a crucial element of sustainable development .....	13
3.3.1. Governance, Justice and Poverty.....	13
3.3.2. Financial Management, Transparency and Accountability.....	14
3.3.3. Corruption .....	14
3.3.4. Decentralisation .....	14
3.4. National Development Finance.....	15
3.4.1. Budget Process .....	15
3.4.2. Poverty Action Fund (PAF).....	15
3.4.3. Poverty Reduction Support Credit (PRSC) .....	15
3.4.4. Sector wide strategies .....	16
3.5. Private Sector Development .....	16
3.6. The Role of Civil Society.....	17
3.7. Regional Integration and Regional/global Trade .....	17
<b>4. Overview of past Austrian ODA</b> .....	<b>17</b>
<b>5. The Austrian Response Strategy 2003 to 2005</b> .....	<b>18</b>
5.1. Key elements determining the Austrian Programme .....	18
5.1.1. Assessment of development effectiveness in Uganda.....	18
5.1.2. Austria adheres to the agreed Partnership Principles .....	18
5.2. Choice of concentration sectors:.....	19
5.2.1. Principles .....	19
5.2.2. Partnership in implementing the PEAP .....	19
5.2.3. Austrian comparative advantage .....	20
5.2.4. Funding gap – no over funding in sector .....	20
5.2.5. Sectoral linkages and interfaces.....	20

5.3. Choice of geographical concentration .....	20
5.4. The Programme .....	21
5.4.1 Austria as a stakeholder in policy dialogue, coordination and participation in the national development processes.....	21
5.4.2. Water Supply and Sanitation .....	22
5.4.3. Governance .....	23
5.4.4. Decentralisation .....	26
5.4.5. Private Sector .....	27
5.4.6. Other .....	28
5.5. Crosscutting Issues.....	29
5.5.1. Culture .....	29
5.5.2. Environment.....	29
5.5.3. Gender .....	30
5.5.4. Capacity building .....	30
<b>6. Partner and Funds of Intervention.....</b>	<b>31</b>
<b>7. Logic of Intervention:.....</b>	<b>31</b>
7.1. Overall Development Goal.....	31
7.2. Policy Goal .....	31
7.3. Programme activities.....	31
7.4 Matrix.....	32
<b>8. Implementation of the Country Programme.....</b>	<b>32</b>
8.1. Indicative Budget.....	32
8.2. Implementation of the Programme and awarding of contracts .....	33
8.3. Organisational framework .....	33
8.4. Phasing and timing.....	33
8.5. Financing of implementation logistics .....	33
8.6. Monitoring und Information System .....	33
8.7. Evaluation .....	33
<b>9. Assumptions and Risks for Programme Success .....</b>	<b>34</b>
9.1. Assumptions.....	34
9.2. Risks.....	34
<b>10. Sustainability .....</b>	<b>34</b>
10.1. Institutional and political support.....	34
10.2. Donor coordination and complementarity .....	34
10.3. Appropriate technology .....	36
10.4. Environment .....	36
10.5. Socio-cultural dimensions .....	36
10.6. Gender .....	36
10.7. Institution and capacity building .....	36
10.8. Economic sustainability.....	36
10.9. Predictability of resource flows .....	37
10.10. Long term intervention and additional spending.....	37
<b>11. Annexes .....</b>	<b>37</b>

## Abbreviations

ADC	Austrian Development Cooperation
ADF	Allied Democratic Forces
BDS	Business Development Services
BMaA	Austrian Federal Ministry for Foreign Affairs
CBO	Community based organisation
CDF	Comprehensive Development Framework
CEDAW	Convention for the Elimination of all Forms of Discrimination against Women
CRC	Constitutional Review Commission
COMESA	Common Market of Eastern and Southern Africa
CSO	Civil society organisation
DDP	District Development Programme
DfiD	Department for International Development
DRC	Democratic Republic of Congo
DWD	Directorate for Water
EAC	East African Community
ERP	European Reconstruction Programme
EU	European Union
GDP	Gross Domestic Product
GNP	Gross National Product
GoU	Government of Uganda
HIPC	Highly Indebted Poor Country
HoM	Heads of Mission
IHS	Integrated Household Survey
IMF	International Monetary Fund
JLOS	Justice Law and Order Sector
KDP	Kisoro Development Programme
LGDP	Local Government Development Programme
LRA	Lord's Resistance Army
MF	Microfinance
MS	Member State
MSE	Micro and small enterprises
MSME	Micro, small and medium enterprises
MTCS	Medium Term Competitive Strategy
MTEF	Medium Term Expenditure Framework
MWLE	Ministry of Water, Lands and Environment
NEMA	National Environmental Authority
NGO	Non-governmental Organisation
NRM	National Resistance Movement
ODA	Official Development Assistance
OECD	Organisation for Economic Development and Cooperation
PEAP	Poverty Eradication Action Plan
PER	Public Expenditure Review
PAF	Poverty Action Fund
PIU	Project Implementing Unit
PMA	Plan for Modernisation of Agriculture
PRSC	Poverty Reduction Support Credit
PSF	Private Sector Foundation
SIP	Sector Investment Plan
SPLA	Sudan Peoples Liberation Army
SSA	Sub-Saharan Africa
SWAP	Sector Wide Approach
SWTWS	South Western Towns Water and Sanitation programme
TSU	Technical Support Unit
TWG	Technical Working Groups
UBS	Uganda Bureau of Standards
UEPB	Uganda Export Promotion Board
UIA	Uganda Investment Authority
UMA	Uganda Manufacturers Associations

UNDP	United Nations Development Programme
UPE	Universal Primary Education
UPPAP	Uganda Participatory Poverty Assessment Project
UTB	Uganda Tourism Board
WB	World Bank
WSSB	Water Supply and Sanitation Board
WTO	World Trade Organisation

## 1. Executive Summary

### Successful Reform Process

As a consequence of a thorough reform process and a clear poverty eradication approach throughout the nineties, Uganda's economy grew at high rates over many years and absolute poverty was reduced from 56 % in 1993 to 44 % in 1997 and further to 35 % in 2001.

Currently the country is in a crucial phase of political transition from a so called Movement system (no party system, legislators are elected on the basis of individual merits) to a more pluralistic political system with presidential elections foreseen in 2006.

Internal political uncertainties and external conflicts in the DRC did not hinder the international donor community to continuously increase aid levels over the last years. New and far reaching systems of coordination amongst donors and of partnership with the government have been created in a consultative and participatory manner and under inclusion of the civil society.

### Continuation of a Successful Partnership

Uganda is perceived as the lead country of reform processes in Africa. Its success is based on a combination of enhanced service delivery to the poor, debt relief, fiscal discipline and increased social spending. Continuous priority is given to the rural areas and decentralisation.

Austria has played an active part and has been a respected partner since the beginning of the rehabilitation- and reform processes. Partnership is taken seriously and put into practice on a day to day basis while the full ownership and responsibility remains with the Ugandan Government.

### The Programme 2003 - 2005

Our future cooperation is based on both past successful sectors and new cooperation mechanisms. All activities are in full compliance with the Poverty Eradication Action Plan (PEAP).

1. Water and Sanitation: Continuation of the Water Supply Programme in seven South Western districts for 3,3 million inhabitants. After completion of a first important phase (mainly infrastructure for a total amount of € 6,4 million), future activities will focus on efficient management, ownership aspects and policy development. At the same time infrastructure activities will continue. One third of the total budget (4 – 5 million €) will go into this sector.
2. Judicial Reform, Democratisation and Decentralisation: Based on past interventions, this part of the programme focuses on access to law/ legal advice – poverty is not only perceived as absence of property and goods but also as powerlessness. Legal assistance can be a remedy to that and will be provided to men and women through small legal advice offices on district level. We will continue supporting the commercial law reform (development of strategies, legal framework) as a basis for a sound investment-enabling environment and economic development. Further, we will continue our support to election monitoring- and training programmes.

Decentralisation will remain high on the agenda of public reform processes. In Kisoro we will continue capacity development for the local structures: focus: water, finances. Total amount for this sector equals 4 – 5 million €.

3. Private Sector Development: Improvement of an enabling environment for private sector development (development of guidelines and support facilities) and support to Microfinance Institutions (beneficiaries are MSME enterprises) are the core interventions. Ecologically sound techniques are supported through specific programmes with UNIDO. Total amount foreseen: 4 million €.
4. Education, Science and Culture: There are a variety of ongoing activities in this field: Scholarship programmes, short term study programmes, joined research programmes. Those programmes will continue. A special focus will be put on our cooperation with the 'Ndere' theatre with its internationally renowned 'development theater'. Theater can transmit important educational messages (political, health, sanitation). The construction of the theatre will be completed. At the same time, the national theatre festival and other activities will receive continuous support. The total budget for this sector amounts to € 1 million. In addition to that, there are another € 2 million foreseen from other budget lines for additional interventions (NGOs and multilateral projects) during the programme period.

## 2. Basic Country Information

### 2.1 Uganda at a glance

see Annex 3

### 2.2 Line of departure for Uganda's contemporary development

Uganda gained independence from the United Kingdom in 1962, when strong agricultural and industrial growth were predominant features. Within the following years, political disorder increased under president Milton Obote, until the coup by Idi Amin in 1971, which led the country into a deep humanitarian, social, political and economic crisis. The consecutive regimes of Milton Obote and Tito Okello, after a military intervention by Tanzania ended the Amin dictatorship, could not overcome Uganda's critical situation.

In 1986 the National Resistance Movement, with a strong basis among the rural population, seized power by military means and Yoweri Kaguta Museveni became president. By this time, the GNP per capita had fallen by 42 % as compared to 1970. The new government quickly embarked on a straightforward reform policy and led the country through a thoroughly self-owned structural adjustment exercise, forming the basis for high economic growth rates in the nineties. With US\$ 330 p.c. Uganda is still among the poorest countries in the world.

Uganda has fertile agricultural soils, high rainfall (although droughts are now known in the North and the West), and natural resources like cobalt, copper, natural gas. Substantial petroleum deposits are assumed in the West. Coffee is the main export product, accounting for more than half of the export income, followed by tea and cotton. Uganda is the main banana producer worldwide, but only for own consumption.

80 % of the population lives from small-scale agriculture, large-scale agriculture playing only a minor role.

In 1987, the new NRM government embarked on a reform program aiming at **economic recovery and poverty reduction**. Currency reform, financial and trade liberalisation, fiscal tightness and monetary stability, reduced inflation, privatisation etc led to increased capital inflows and rising export revenues.

### 2.3 Recent trends in economic policy and macroeconomic performance

By 1992 structural adjustment measures have shown effect and high economic growth, in the nineties 6,4 % on average, was realised, consequently. Stern **poverty focused policy measures** led to absolute poverty decrease from 56 % in 1992 to 44 % in 1997 and 35 % in 2001

The basis of poverty reduction has been high **economic growth**, in particular between 1994 and 1999, when GDP growth exceeded 7 % per year. The average growth rate over the decade of the nineties has been 6,9 % p.a., meaning that real per capita growth averaged 3.7 % in this period, exceptionally high in African terms.

In 99/00 economic growth has slowed down to 5,4 %, mainly due to unfavourable terms of trade (in particular high oil prices and low coffee prices) and dropped further to 5 % in 00/01.

Economic growth is broad based, as it came predominantly from the agricultural sector. So far poverty reduction was a result of growth of the economy, rather than a result of changes in the distribution of incomes.

**Agriculture** grew at a rate of 4 % in 2000, up from less than 3 % at the beginning of the nineties, but still too little to provide a surplus for industrial development. Main contributors to that growth were coffee and tea, both responding to reform measures. But also regional maize exports have been picking up and a still small-based horticulture and flower industry is developing. Roughly three quarters of the total planted area is occupied by 8 major food crops: Matooke, cassava, sweet potatoes, maize, beans. Groundnuts, sorghum and finger millet. Matooke and cassava are also extensively marketed. Coffee is grown on 8 % of the total planted area.

In 1992, agriculture still accounted for 50 % of GDP, by 1996 it has fallen to 45 %, 2000 to around 41,5 %. Agriculture accounts for less than half of the value production and is decreasing, but it provides constant employment for more than 70 % of the labour force. This means, Uganda is faced with falling relative productivity in agriculture. It also means that agriculture is critical for poverty reduction.

The **manufacturing sector** grew by an average of 12 % p.a. over the decade, marking the recovery from a very low base. But it is clearly constrained by the small size of the domestic market. In 00/01 the growth rate was 6,5 % and in ½ only 5,7 %.

**Services** have grown by 6,5 % in 99/01, by 7,2 % in 00/01 and by 6,4 % in ½, thus not allowing to conclude a clear performance trend.

**Terms of trade** are significantly declining: 98/99: - 6 %, 99/00: -15 %. World market prices for the single most important export commodity, coffee, fell by 30 % in fy 01/02. But over the last years a diversification of exports took place, partly offsetting the losses from coffee: In 01/02 non-coffee exports (mainly maize, cotton, tobacco, hides and skins, simsim and flowers) grew by 12 %.

**Monetary policy** is restrictive, broad money supply (M3) growing at around 17 % (in line with planned money supply growth), base money supply (M2) at around 8,5 % (lower than programmed) in 1999/2000, despite the higher budgetary deficit. This monetary policy is a contributory factor to containing inflation.

**Inflation** averaged 108 % p.a. between 1986 and 1992, fell to an average of 6,6 % between 1992 and 1997 and stands, relatively stable, at around 5 % in 99/00 and 00/01. From 2001 onwards inflation fell below 5 %, growing negative in certain months, heavily influenced by falling domestic food prices. For the financial year 01/02 the inflation rate stood at negative 2,6 %.

**Fiscal development:** overall fiscal deficit (before grants) was 8 % of GDP in 95/96, fell to 6,6 % in 98/99, but rose to 10,5 % in 99/00 (against planned 8,1 %, what would be the sound level) and to 12 % of GDP in 01/02, mainly due to poor domestic revenue collection and higher spending for anti-poverty programmes. It was leading to higher domestic bank financing, but remained below the ceiling until financial year 01/02. Given these developments, Ministry of Finance and Bank of Uganda evolved with the view that this deficit is not sustainable. With domestic revenues not picking up, the need arose to cut down on the fiscal deficit. In the financial year 02/03 the government budget for the first time grows less than the GDP.

**Domestic revenues** are low at around 11,5 % of GDP, which is low even compared to Sub-Saharan African standards, and below target since 1998. Low revenue is thought to be due to a weak tax administration structure and corruption in the first place. In order to increase revenues, an improvement of the tax administration are ongoing.

**Investment:** Private Investment is estimated at 14,6 % of GDP in 01/02. This is a significant increase from 8,5 % in 91/92, due to the restoration of macroeconomic stability in the nineties, but is still very low as compared to the Sub-Saharan Africa average of 20 %. The low investment growth comes despite a good 'Institutional Investors Country Credit Rating' of 22,9 in 2000.

Public investment stands at 5,9 % in 01/02.

**Savings rate:** The financial savings rate stands around 5 %, low in Sub-Saharan African terms (SSA average 14,8 %)

**The financial system:** The banking system is still weak and risk averse. Improvement in banking regulations took place (e.g. capital requirement), but still better bank supervision needed.

A short term treasury bill and high yielding medium term government bonds have been issued in the nineties, carrying the substantial risk of resulting into high repayment and interest payment obligations after maturity, and of crowding out commercial banks credit to the private sector. In 2001 treasury bill interests have been significantly lowered, making the situation more healthy, but rising again in 2002.

Good progress in regulating positively the microfinance subsector.

Capital market development still in its infancy.

**Privatisation** progressed well in the beginning, than it slowed down, also due to corruption or flawed cases (e.g. Uganda Commercial Bank in 1998). Interesting are privatisations via the stock market (Uganda Clays), a model which is planned to be followed in future. Uganda Commercial Bank was finally privatised in 2001 against stiff resistance by parliament. The next important privatisation step concerns the National Medical Stores.

Many of the above mentioned constraints, in particular the high fiscal deficit, the low domestic revenue generation and the low investment rate result into significant **donor dependency**: The low domestic revenue rate of 11,5 % (01/02) of GDP only allows a budget coverage of 49 % and thus makes heavy external financing of the budget necessary. This constitutes clear donor dependency, although there is sufficient national ownership in all reform processes. The major problems of donor dependency are unreliable disbursements and timing of donor funds, making proper budgetary management difficult.

Only a significant rise of domestic revenues or a decrease of the fiscal deficit (thus compromising on development goals) can decrease donor dependency, a fact which policy makers in Uganda are increasingly aware of.

High donor inflows result in an upward pressure on the exchange rate of the Uganda Shilling and a crowding out of commercial credit to the private sector.

## **2.4. The Political Situation**

### **2.4.1. Movement System**

According to the 1995-Constitution Uganda is governed under a movement political system, which has several features of a one-party state. Political parties exist at a national level, but their activities are restricted and for elections, candidates can only run on individual merits. The first presidential elections under this constitution were held in 1996 with President Museveni driving home a landslide victory. The 1996 Parliamentary elections resulted in a very active Parliament.

The press is generally considered to be fairly free.

### **2.4.2. Referendum 2000 and consecutive elections**

According to the constitution a referendum on the political system has to be held periodically (periods determined by the constitution). The first referendum was held in May 2000, with more than 90 % opting for the NRM-Movement and against the multiparty system. Although there were shortcomings in the preparation of the referendum, they are not considered to have significantly influenced the outcome. The voting process itself was monitored and was considered fair. A study by the IFES-Institute just before the referendum day confirmed the results. According to it, the Movement has a strong base and majority in rural areas, but has considerably lost followers in larger urban centres.

In 2001 presidential and parliamentary elections were held under the Movement system.

Again, the playing field was not completely level, with the movement making use of its government bonus. In a number of districts both elections have been significantly marred, in terms of administration as well as in terms of the political process. Violence was induced from all sides. Donors have fully monitored the two elections, both with international observers and with 2400 local monitors of a Ugandan NGO-consortium. Despite of the shortcomings, both elections were broadly found to be free and fair, expressing by and large the will of the electorate.

### **2.4.3. The Way Forward**

The Movement had indicated to open up the political system gradually after the Referendum 2000. The presidential elections 2001 and parliamentary elections still ran under a clear movement system. There should not be, however, a second referendum, but a change to the multiparty system before the next presidential elections in 2006, when Museveni must not stand for a third term according to the constitution. A Constitutional Review Commission (CRC) should prepare the constitutional ground for the political transformation.

But within the Movement, polarisation has taken place, with strong anti-reformist forces opposing a swift opening up of the political space. In public, Museveni rather takes the side of the latter group. In 2001 he opposed a Political Organisations Bill, which was finally passed by Parliament, allowing political parties to operate at district level, he stopped the discussion on political transformation within the Movement, but the forum, where this discussion should take place, the CRC, receives insufficient funding from the budget.

The danger increases in that, if the political opening up process starts to late, the presidential elections in 2006 might turn chaotic, allowing for all kinds of undesirable developments.

### **2.4.4. Rebellions in North and West**

Rebellions have been a serious impediment to development in Northern and Western districts since the beginning of the Movement rule in 1986. In West Nile the rebellion was pacified by a combination of military pressure, negotiations, amnesty and resistance of the population. In Karamoja another rebellion started, but was quickly routed by the local population and the Karimojong tribal warriors. The rebels then shifted from Karamoja to neighbouring Acholiland, where it fell on fertile ground with the tribesmen of the last military dictator of the post-Amin era. The first rebellion was defeated, but soon after a new one, the Lords Resistance Army (LRA) was formed with lots of assistance of Khartoum, since Uganda supported the rebellion in South Sudan.

Another rebellion, the Allied Democratic Forces (ADF, sponsored by Islamic Organisations, allegedly Bin Laden) sparked off in Western Uganda, especially Bundibugyo and in the Rwenzori Mountains. The main force of both LRA and ADF soon turned against the local population.

Looting of food and property, abduction of civilians (mainly children), child soldier ship and most cruel atrocities against civilians became the features of these rebellions, which caused the USA to put LRA and ADF on the list of terrorist organisations.

LRA has its base in Southern Sudan, but both LRA and ADF operated mainly from the Eastern territory of then Zaire, later DRC, which did not have any effective control over the area. The Uganda Peoples Defence Force's (UPDF) intervention in Eastern DRC in 1998 succeeded in destroying the rebels' supply lines and safe heavens, weakening the LRA considerably and eliminating the ADF. Since 2001 in all districts bordering DRC and also the Rwenzori Mountains security has been restored.

Since 2000 initiatives are underway, facilitated by the Libyan President Muammar Gaddafi, to restore diplomatic relations between Uganda and Sudan. Both neighbours have agreed to open diplomatic liaison missions in Kampala and Khartoum and not to support each other's rebel movements (LRA in Uganda and SPLA in Sudan). As a consequence, LRA was substantially weakened and the situation in Acholiland improved. An amnesty for surrendering rebels has been implemented and peace initiatives like the Kacoke Madit (big conference in Acholi language) and the Acholi Peace Initiative (by religious and traditional leaders) began for possible conflict resolution. The chance for peace in Acholiland is real, as long as the relations between Sudan and Uganda remain stable.

#### **2.4.5. External Conflicts affecting Uganda**

External conflicts, especially in the DRC, but potentially also with Sudan and Rwanda are

- a serious threat to internal stability
- a significant budgetary burden, although the real costs are unclear
- impacting on regional stability
- one of the major factors adversely influencing investments and tourism.

In the case of Sudan and Rwanda, the situation was improved by diplomatic means, but significant mistrust remains in the neighbourly relations.

In the case of DRC, Uganda plays a leading role in the implementation of the Lusaka agreement and proceeded with unilateral troop withdrawal except for 3 battalions close to the Ugandan border. Although Uganda has been commended for the way she is carrying forward the Lusaka process, her role in the exploitation of the natural resources in DRC remains a major issue.

### **3. Development Analysis**

#### **3.1. Status of Poverty**

In order to find out more about the impact of economic growth and the reform programme on poverty in Uganda, the government, together with World Bank, has carried out an Integrated Household Survey (IHS) in 1992 and 4 subsequent yearly follow-up monitoring surveys. It turned out that poverty, measured as a set of living conditions, decreased considerably during this time and there was a clear link to government policies.

IHS was focusing on typical traditional poverty indicators such as income, consumption, health, and education. In parallel, the Uganda Participatory Poverty Assessment Project (UPPAP) has been set up, in order to guarantee the most important requirement for pro-poor policies: exact knowledge and in-depth data on poverty. The innovation being a participatory approach, letting the poor themselves define the parameters of poverty. Additional and new indicators emerged like powerlessness, vulnerability to (increased) poverty, social isolation, risk and insecurity. Unlike IHS, UPAAP is not only a research instrument, but it enables the poor to articulate their concerns and raise them to the level of policy makers. UPAAP is a continuous exercise.

The results from UPAAP together with household surveys are used to calculate the position of the poverty line. In 1993 the percentage of people living below the poverty line was 56. In 1997 the

poverty line lowered to a level of 44 %. On the basis of the UPAAP-report 2000 and the household survey 2000, the official poverty line stood at 35 % in 2001.

What contributed to this remarkable decline in poverty was the high economic growth during the period in conjunction with decisive pro poor policies by government. These policies not only consisted of increased social spending and improved social sector management but also of the more general reform agenda. The most obvious reform-policy move aiming at poverty reduction was the liberalisation of the coffee market. Because of the small-scale structure of the coffee sector, production and export increases may potentially be directly translated into higher incomes of peasants. Similar is true for other high value cash crops.

Although, the overall picture of success in poverty reduction in Uganda is not the whole story, by looking at it in more detail, one can see that

- the poorest 20 % of the population have become poorer between 93 and 96 in relative terms
- poverty reduction has been most significant in the central region
- in urban areas poverty reduced more rapidly than in rural areas
- women benefited proportionally less than men
- for the most important population group, peasants, it showed that poverty in subsistence farming systems decreased slower, in monetary farming systems faster (esp. high value cash crops).

The consumption of the poorest 20 %, has not increased as much as opposed to that of the upper 10 % of population. This means there has been unequal distribution of income growth, benefiting the upper income deciles more than the two bottom deciles. There was a reverse trend in 1997. Altogether, this phenomenon is not surprising, as income and income distribution are linked to the marginal product of labour. A just income distribution system must insure that no segment of the working force remains continuously below wage levels as determined by the marginal product of labour, but continuously exceeding these levels would mean to sacrifice on the overall competitiveness of the respective enterprise, sector and country. As Uganda has a competitiveness problem, this is important to watch. The only sustainable approach towards an improved income distribution is currently being taken by upgrading the marginal product of labour; in particular with respect to the majority of the population who are in rural areas and are involved in agriculture. The most visible and effective instruments in this regard are the PMA and UPE.

Poverty in Uganda clearly shows regional concentrations, the North being poorest, followed by the East and the West, Central Uganda being better off. Between 92 and 97 these regions drifted even further apart in terms of absolute poverty. Whereas all of the were able to reduce their poverty level, the central region reduced it best. The difference in poverty between the North and the Central region increased thus even by 5 %. The good thing is that in this period the second fastest poverty reducing region was the North, followed by the West and the East. The other 3 regions thus came closer together. Regarding the North, much of poverty reduction might be due to peace in West Nile, bringing about a significant increase in economic activity, yet at the same time Acholiland has been dragged down by the ongoing conflict.

Poverty in Uganda also shows a strong rural bias. Rural poverty decreases sharply, whereas urban poverty decreases sharply at times, but for unclear reasons sometimes rises up.

High value cash crop and livestock play an important role in rural income generation and poverty reduction and are clearly controlled by men. Women have little control over the household income, which men spend mostly according to their own priorities (i.e. alcohol).

Health: A National Health Policy Sector Strategic Plan should reduce the causes for ill health and tackle inequalities in this respect. A minimum health package is designed to treat the most important diseases and to improve health service delivery and access for poor and isolated population.

Education: Universal Primary Education aims at providing primary education to all children, for free for 4 children per family.

HIV/Aids contributes considerably to poverty. Uganda faced high HIV/Aids infection rates of almost 20 %, but not only managed to cut it down as the only country in SSAfrica, she even succeeded to reduce it by half.

The main factors slowing down and threatening progress in social and economic development and poverty reduction are:

- Internal armed conflict in Northern Uganda
- DRC-conflict
- Low revenue base, leading to donor dependence and external debt problem
- Low savings rate
- Capacity constraints
- Land ownership rights
- Gender imbalance
- Threat to political stability through slow down in the political reform agenda

### **3.2. Strategies to address poverty and development**

#### **3.2.1. The Comprehensive Development Framework approach**

Uganda is a CDF-pilot country. CDF provides the underlying and overall framework for all development undertakings.

The Uganda-specific CDF-process has the following features:

- I. Economic development and social sector development are equally important contributors to overall development. Government spending for social sectors is high and secured according to set priorities by the Poverty Action Fund.
- II. Ownership: GoU in fact takes the lead in most policy processes, although lack of capacity is still a serious impediment in some ministries.
- III. Partnership: Development must be tackled with in a focused and coordinated manner (taking into account that uncoordinated and contradictory development approaches mostly bare counterproductive fruits). In order to come up with such focused and coordinated development approach, a true partnership between the two sides financing development (government and donors) is necessary. For this partnership an open and critical dialogue, for which both sides have to be prepared, is a precondition.
- IV. Inclusiveness: Most policy processes are based on extensive consultations with all stakeholders (central government, local governments, donors, civil society). These have certainly to be improved in order to achieve better results, but most importantly the stakeholders, also on the decentralised level, have now the possibility to enter and be part of the decision processes as important as the medium term budget planning, the overall poverty reduction strategy, the private sector development strategy, the decentralisation approach, the plan for the modernisation of agriculture, or the various sector investment plans. All these are strategic building blocks for Uganda's development.

This broad consultation and participation process, the secured funding, the comprehensive approach to development including a clear prioritisation of expenditures and leadership by GoU brings a complete new quality to development planning. These strategies are now strongly linked to their implementation; they also include the delivery channels and a monitoring system. Development planning in Uganda has not only become comprehensive and inclusive, but also realistic and implementation-minded.

#### **3.2.2. Vision 2025**

is the GoU's overall strategy for development up to 2025. It focuses broadly on economic growth, human development, the state of the environment and good governance. All underlying strategies have to be in compliance with the Vision 2025.

The basic elements are:

Economic growth should mainly be achieved by the creation and maintenance of conducive macroeconomic conditions, a balanced development both regionally and across ethnic groups and rural transformation. Further emphasis is given to science and technology, information systems and basic infrastructure. For human development the aspiration is a healthy, well-educated society with a high quality of life. Main contributing factors are a manageable population growth, all levels of education, high quality health care services, access to safe and clean water, food security and proper nutrition and employment opportunities. Women ought to be empowered in order to become equal partners in the society with full access to decision making and control of economic resources, full legal

protection, embedded in an adequate set of values. Another important element for human development is the preservation and evolution of national culture, not aiming at cultural homogeneity, but cultural harmony carrying respect for all citizens. The chapter on environmental resources focuses on sustainability, conservation and regeneration, emphasising the sustainable use of biological resources, the creation of socio-cultural systems which foster both intra- and intergenerational equity in the use of these resources and a conscious and active participation of the population in maintaining the environment. With respect to governance the vision aspires for a fully decentralised and democratic structure at all levels characterised by justice, transparency, accountability, observance of human rights, and political freedom.

Vision 2025 is in line with the overall Austrian development strategies and goals and with the Millennium Development Goals.

Though, it seems that the set goals can only be achieved with extremely high budgetary deficits. Critical voices are increasing, requesting further analysis on the limits of sustainable manageable budgetary deficits under the concrete Ugandan circumstances.

### **3.2.3. Poverty Eradication Action Plan (PEAP)**

is GoU's medium term poverty reduction strategy, aiming at reducing poverty to 10 % by 2017.

It has been developed in a participatory and consultative manner and forms the government's overall medium term policy framework. It is rooted in the UPAAP findings on poverty in Uganda, thus establishing a wider approach to poverty. PEAP has 4 pillars that form the main issues in poverty eradication:

- Macroeconomic growth
- Increasing the incomes of the poor
- Social service delivery
- Good governance and security.

The PEAP sets out the framework for the development of sector plans and investment programmes and has guided the formulation of government policy since its inception in 1997. The PEAP is a policy instrument to insure that Uganda's economic policy is poverty-sensitive and to prioritise public programmes to maximise their impact on poverty.

The PEAP stresses the importance of a coordinated donor approach in financing development initiatives in Uganda. It is stated that the PEAP will be implemented through SWAP's (sector-wide-approach) that are developed over time in all major sectors. Under the guidance of the PEAP, these plans are to be translated into concrete spending decisions through (a) the Medium-Term-Expenditure Framework (MTEF, see below), which is continuously been developed and made more participatory, and (b) the Poverty Action Fund which channels funds to the priority areas set out in the PEAP.

## **3.3. Good Governance as a crucial element of sustainable development**

### **3.3.1. Governance, Justice and Poverty**

As revealed in the Uganda Participatory Poverty Assessment Project (UPPAP), Government and donors acknowledged that people's perceptions of poverty are closely linked to lack of access to justice and lack of security. The effects of the current mal-functioning of the Justice System on people's life is manifold: it prevents them from enforcing their socio-economic rights, thus impacting on their livelihood and therefore leading to further impoverishment. This has been well illustrated in the Uganda Poverty Assessment Project Report (UPPAP), which comprehensively details the voices of the poor in selected communities in Uganda. Thus the Government of Uganda has acknowledged the multitude of deficiencies of the current justice system at central and local level, as well as the importance of a functional justice system for the promotion of good governance practices in all sections of society. As a result, the Poverty Eradication Action Plan identifies as a central objective 'the strengthening of the justice system for the improvement of poor people's access to legal services.' Justice Reform has therefore been put at the top of the reform agenda of the Government of Uganda.

### **3.3.2. Financial Management, Transparency and Accountability**

According to the Country Financial Accountability Assessment (World Bank) the institutional framework for public sector financial management is relatively good as compared to other regional countries, but it needs strengthening and updating, particularly at the level of local governments. Generally, accountability capacities are too weak at all levels of government and administration.

The Office of the Auditor General is the institution that should enforce accountability on all public institutions. It is functioning well in principle, but lacks capacity and more decentralised offices to cover all institutions and districts effectively. It discloses regularly various kinds of misuse of funds, but also structural deficiencies of accounting for public accounts.

The Office of the Inspector General of Government plays a critical role in the process of strengthening governance in Uganda. It is sufficiently independent and functions well in principle.

A Public Accounts Committee ensures oversight over public financial management.

Currently the Economic and Financial Management Programme (World Bank) is being implemented, with the aim of further improving existing structures.

### **3.3.3. Corruption**

According to the Corruption Perception Index of Transparency International, Uganda ranks fifth corruption wise in Africa. Studies show that corruption adds considerably to the costs of private sector operations. In the public sector, 70 % of overall corruption cases are related to procurement, adding considerably to the costs of public sector operations. Corruption also impacts on public sector service delivery. All these factors result directly in a significant slow down of economic growth and poverty reduction.

Corruption is openly discussed (and thus is highly perceived) and tackled by a 'Government Strategy and Plan of Action to Fight Corruption' with a regular implementation report, showing names and sentences of the corrupt.

Other measures are being taken: the Leadership Code (declaration of property of political leaders and high level public servants) plays an important role. It has been passed by Parliament in mid 2002, but parliamentarians showed stiff resistance to it. In order to improve procurement, interim procurement regulations were put in place in 2000 and a new Procurement Bill was drafted in 2002.

In June 2002 almost the entire Electoral Commission has been sacked on corruption and mismanagement charges.

Several high profile ad-hoc commissions have been set up to investigate into public structural corruption cases. The most prominent one was the Commission of Inquiry against Corruption in the Police, which came up with a highly sensible report, which was published on the eve of the Parliamentary elections, leading to an immediate and far reaching reform of the police force. Other prominent ones are the Commission of Inquiry on the Acquisition of Helicopters and the Commission of Inquiry on the Illegal Exploitation of Natural Resources in the DRC and the Uganda Revenue Authority.

The outcome of the GoU's fight against corruption still lacks the desired results. Some of the above Commissions are not provided with the necessary political and administrative support.

Even more important, those who are identified as corrupt, in most cases cannot be prosecuted and punished due to the absence of effective provisions in the criminal code. Those issues have to be dealt with prominently in the legal sector reform.

So far civil society and the media do not sufficiently play their role as watchdogs against corruption. There is no tradition of investigative journalism.

Transparency International operates a National Chapter in Uganda, which tries to address these issues.

### **3.3.4. Decentralisation**

Decentralisation is central to Uganda's mode of governance as spelt out in the 1995 constitution and the 1997 Local Governments Act confers. Decentralisation in Uganda has generally been seen as a successful transformation process with relatively good opportunities of reaching its objective of creating a democratic, participatory, efficient and development-oriented local government system. This is basically because decentralisation is rooted in a clear policy and legal framework, initiated and

pushed by Uganda's government and implemented within a tiered system of local government as well as with an interrelated character of the various reform programmes.

Uganda shows obvious positive experiences that can feed as learning processes into the continuous decentralisation process. However, as much as 80 % of the transfers from the centre to the districts are conditional grants. Certainly this gives less freedom to the decentralised level, but the central Government feels that there is still need for tight control of funds as capacities at local level are lacking. This is attempted to be rectified by various capacity building programmes. Donors are involved at all possible stages of the decentralisation process. The Local Government Development Programme (LGDP, funded by the World Bank) played an important role in piloting new decentralisation mechanisms. This has resulted in enacting the new Fiscal Decentralisation Strategy in 2002, which is planned to become operational in the near future.

So far, although there seem to be indications of a slowly improved service delivery, radical changes at local government level have mainly been achieved concerning the mode of access to resources as well as the mode of planning. Also, as both capacity building programmes as well as development budget are overall donor funded, it is difficult to see how the Ugandan system of decentralised local government can be sustainable beyond donor support in any foreseeable future. A decrease in local revenue has been a worrying trend in this respect. Political interference (local elections took place in 2002) and increased transfers from the centre might have been causes for this trend. Government and donors have tried to reverse this trend by enforcing a district contribution before development funds can be tapped.

### **3.4. National Development Finance**

#### **3.4.1. Budget Process**

Considerable progress has been made in enhancing fiscal discipline and public resource allocation. The budget process builds on a three-year Medium Term Expenditure Framework (MTEF), an annual Public Expenditure Review (PER) and open consultations with civil society, parliament, districts and donors. Districts and sectors have to come up with a yearly budget framework paper, which forms the basis for each budget. The budgets are clearly linked to the PEAP. The budget process is exemplarily open and transparent.

The MTEF has evolved into an important tool for the allocation of strategic expenditure across sectors, promoting output orientation in key sectors and providing a link between central and local government processes.

#### **3.4.2. Poverty Action Fund (PAF)**

The Government established the PAF in 1998/99 to enhance transparency, accountability, and monitoring of key anti-poverty programmes (identified in the PEAP) to be funded in part by assistance received under the original HIPC initiative and additional non-project assistance from other donors. Furthermore, the MTEF for the period 2000/01–2002/03 brought about increased expenditures on programmes and projects targeting poverty reduction.

It is an important instrument to safeguard the financing for the fight against poverty. Not all PEAP-sectors are PAF-priority areas and consequently PAF-funds cannot be allocated to a PEAP-area, which is not defined within PAF.

PAF finances primary health care, primary education, rural water, rural feeder roads, the Plan for Modernisation of Agriculture (PMA) and poverty sensitive parts of justice, law and order. PAF funds are either released as conditional grants to districts or through the central governments development budget.

#### **3.4.3. Poverty Reduction Support Credit (PRSC)**

PRSC is a series of structural adjustment loans to support the implementation of the PEAP. Its review mechanism has developed into a monitoring process of PEAP-implementation for all stakeholders within PEAP. Given its high impact on the government budget, PRSC-benchmarks are highly

effective. Donors increasingly see PRSC-reviews also as their review instruments. Governance indicators figure prominently on the list of benchmarks.

#### **3.4.4. Sector wide strategies**

Above overall and medium term strategies are further developed and concretised into sectoral reform processes (sector wide approaches SWAPs, on the basis of sector investment plans SIPs). SWAPs are being financed jointly and along common procedures and review mechanisms by GoU and all donors involved in a respective sector.

SWAPs and SIPs are most advanced in the following sectors:

- Education Sector: The first sector wide approach in Uganda has been started in 1998 with Universal Primary Education (UPE) as its most important element. Progress in implementing the sector investment plan is measured by benchmarks in the PEAP policy matrix.
- Health Sector: Progress in implementing the sector investment plan is measured by benchmarks in the PEAP policy matrix.
- Road Sector: Primarily targeted towards rural feeder roads.
- Water Sector: Progress in implementing the sector investment plan is measured by benchmarks in the PEAP policy matrix.
- Justice, Law and Order Sector: A sector wide approach comprising important 10 institutions has been agreed upon in an open, broad, consultative and very dynamic manner. The implementation of the sector-wide strategic plan starts in 2002.
- Agriculture (Plan of Modernisation of Agriculture PMA): Very comprehensive and includes a multitude of government institutions and farmers' organisations and consequently suffers from a slow implementation.
- Public Service Reform: The process drags on and shows little dynamism. Lack of capacities in the lead ministry, self-interest of public servants and institutions involved and a politicised agenda might be the main reasons. The long awaited pay reform is vital for the increase of efficiency of the public service.
- Public Procurement Reform: Process ongoing in various phases. Some good results already achieved in details, but the system as a whole not yet satisfactory. Government is under pressure to come up with structural results, as these are benchmarks in various important donor programmes.

#### **3.5. Private Sector Development**

Concerning the overall country-competitiveness based on the enabling environment for private sector development, Uganda was ranked 17th among 24 countries in 2000/2002 (African Competitiveness Report 2000/2001). Especially with progress made in the development of the commercial law framework, a commercial court and centres of arbitration being operational, the enabling environment has improved. Electric power and poor transport infrastructure remain important impediments to private sector development.

Various private sector organisations have emerged with the Uganda Manufacturers Association (UMA) as the most powerful. All private sector organisations have an Apex-institution, the Private Sector Foundation, where they are all members. Most private sector organisations lack activity and impact, but some, which are mostly industry specific, have been very instrumental to their members, like the Fish Processors' Association.

Several parastatal institutions exist to promote the private sector (Uganda Investment Authority UIA, Uganda Export Promotion Board UEPB, Uganda Bureau of Standards UBS, Uganda Tourism Board UTB, Uganda Cotton Board ...), but their effectiveness is very low and UIA, UEPB and UTB are about to be merged in one new organisation.

The Medium Term Competitive Strategy for Private Sector Development is a guiding policy strategy of government towards the private sector. Its implementation is the major task in the sector during the programme period.

### **3.6. The Role of Civil Society**

Uganda has a vibrant civil society. Non-state actors are well presented in the public sphere and at all levels of development. They play an important role in shaping the public discourse on key issues of economic and political concern like: economic policy reform, interpretation of democracy, the role of the citizenry vis-à-vis the state etc.

The experience in Uganda shows that in the context of economic reform civil society contributes to a pluralistic democracy, which fosters the enabling environment for economic liberalisation in the long run.

Government and donors alike involve the civil society in many areas in the intent to pave the way for its participation in the political as well as economic policy discourse.

Civil society provides mechanisms through which government can be held accountable. Accountability in terms of financial transparency and public administration cannot be achieved by rules and regulations only, it also needs pressure from civil society. Flow of funds and implementation of policies are increasingly monitored by civil society organisations. They also play a role of a watchdog with respect to corruption.

NGOs are increasingly involved in policy-making, they lobby for legislature (land bill, gender budget, etc.), and are prominently active in the field of human rights and awareness creation on and access to constitutional and legal rights.

Though all these functions of civil society in contemporary Uganda exist, they all need considerable strengthening in order to gain significant development impact.

### **3.7. Regional Integration and Regional/global Trade**

Uganda is a member of the East African Community (EAC), which had been abandoned by Idi Amin, but was restored with a new treaty in July 2000. A customs union is expected to be in place soon, phasing out or harmonising custom duties and establishing common external tariffs. The harmonisation of laws is ongoing and important regional initiatives are carried out by the EAC-Secretariat in Arusha, like the Lake Victoria Basin Initiative.

The EAC currently comprises Kenya, Tanzania and Uganda as full members, with Rwanda and Burundi as candidates.

Uganda is also a member of COMESA, which has had less impact on Uganda so far. Although COMESA has a good trade protocol in its vast area (implemented to various, but generally low degrees), non-EAC COMESA trading partners lack significance in the Ugandan external trade patterns. As the export power of Uganda increases, COMESA might become increasingly interesting. EAC and COMESA are thus complementary, with EAC addressing short-term needs and COMESA providing a medium term perspective. EAC is being seen as the fast track to the goals of COMESA on a reduced regional scale.

Uganda is further a signatory to the WTO. Currently the capacities to deal with the WTO rules and regulations and to negotiate agreements are extremely low. Although capacity building in this respect is under way, it may not be sufficient.

External trade with European countries is still the most important. Kenya is Uganda's most important African trade partner.

## **4. Overview of past Austrian ODA**

Former Austrian ODA was fairly broad and comprised of:

- water development and sanitation
- education
- good governance/rule of law
- district development, private sector development
- health
- tourism
- agriculture

- import support
- regional debt buy back
- public service reform

In the nineties, Austria has been an important middle sized donor, spending more than ATS 100 million in certain years.

But the combined effects of decreased Austrian spending caused by domestic budgetary constraints and remarkable increases of financial flows by other donors made Austria rank last amongst donors present in the country since 1999.

Due to the budget reduction, concentration of activities took place both sectorally and regionally, leading to the present programme.

For a detailed overview see Annex 2.

## **5. The Austrian Response Strategy 2003 to 2005**

### **5.1. Key elements determining the Austrian Programme**

#### **5.1.1. Assessment of development effectiveness in Uganda**

Development effectiveness in Uganda is generally considered to be very high. The most important criteria met are

- Successful implementation of a reform agenda leading to improved public administration and healthy macroeconomic indicators
- relative political stability
- high quality framework for poverty reduction (PEAP) and implementation of an unambiguous pro poor policy
- successful decentralisation

Indicators to measure these criteria are in the first line achieved economic growth and poverty reduction (see above).

Although, it is evident that a dynamic approach to these criteria is essential for a development assistance strategy, past progress does not suffice, but continuous progress is necessary to achieve high development efficiency.

With this respect it is advisable to critically monitor

- a certain slow down of the reform process
- the effects of a slow opening up of the political space on the relative political stability.

Also the development of the external relations with Sudan, Rwanda and Uganda's position in the DRC conflict may impact on the future development efficiency.

#### **5.1.2. Austria adheres to the agreed Partnership Principles**

PEAP volume 3 provides partnership principles, which emerged as a result of a consultation process between GoU, civil society and donors. The need for this principle arises from the fact that donor financing outside the overall development strategy, the medium term expenditure framework and the budget cannot be targeted to the set priorities and will thus be less effective to various degrees in reducing poverty. If the role of the government, to be responsible for the coordination of all internal and external development funds, is not respected, government cannot fulfil its tasks towards development and poverty reduction. The government's instrument to carry out its coordination role is the framework of strategies and budgets. This framework is not set up in an autocratic manner by government, but is a product of a broad consultation process with all stakeholders, thus enabling stakeholders to accept it and to act within.

The Government also has to manage the level of expenditures and the flow of funds in macroeconomic terms. A project outside the framework may well constitute public expenditure and is an external flow of funds in any case, but not under the control of government. It has thus an effect on certain macroeconomic indicators, uncontrollable by government. If that type of financing reaches a certain magnitude, these macroeconomic indicators as a whole get out of control of government. This undesirable situation is well known in Africa, often related to the flow of external development funds. Given the high level of external development funds in Uganda, their proper coordination within the macro-framework becomes particularly important.

Therefore, the Partnership Principles of PEAP volume 3 state that no activity financed by a bilateral or multilateral donor should be outside the framework of the overall development strategy PEAP. All priority action under PEAP should in future be featured in the MTEF, which is presently not the case.

Furthermore, donors should respect all ceilings set for sectors, ministries, districts, government institutions etc., because these ceilings are the major budgetary management tools of government.

In order to increase government ownership, project-implementing units (PIUs) should phase out and, instead, adequate capacities be built into the respective institution in charge.

PEAP 3 also deals with private sector and the civil society in the development process. NGOs, CBOs and private sector organisations should perform independent advocacy, monitoring and service delivery roles. If possible, donor support to them should be within the sectoral frameworks.

#### *Project aid and programme aid*

PEAP 3 acknowledges 3 forms of financial donor assistance: budgetary assistance, sectoral assistance and project assistance.

It gives clear preference to budgetary assistance followed by sectoral assistance (contributions to Sector Wide Approaches SWAPs and Sector Investment Plans SIPs). These forms of external aid result in low transaction costs. Project aid has high transaction costs, putting heavy additional burden on the local administration for special reporting and accounting. The aim should be, therefore, to agree on a common reporting and fiduciary system, so that all donors can contribute to the general budget or to sectoral baskets, accepting the respective way of accounting and reporting.

But clearly, PEAP 3 does not exclude project aid, as long as it is within the framework of PEAP.

The Austrian Development Cooperation will, in the current phase, embark on an adequate mix of sectoral assistance and project assistance within the framework of the PEAP.

Given the important role of civil society and the private sector in development and poverty reduction, the Austrian Development Cooperation will also engage in projects with NGOs, CBOs, private sector organisations and enterprises within the framework of the PEAP.

## **5.2. Choice of concentration sectors:**

### **5.2.1. Principles**

Three overarching principles determine the choice of concentration sectors:

- poverty orientation
- demand orientation
- impact orientation

These principles have been derived from the recent international discussion on development policies, especially referring to the shift from output orientation to impact (outcome) orientation. They are also acknowledged and reflected in the general Austrian development strategy as well as in the national Ugandan development approaches.

### **5.2.2. Partnership in implementing the PEAP**

All sectors chosen have to be priority sectors with respect to poverty eradication according to the Ugandan overall medium term development strategy PEAP. The PEAP is being revised on a three year basis and eventual changes in priorities result from a consultative process. Depending on whether these changes may affect the Austrian programme, the latter will be revised accordingly.

### **5.2.3. Austrian comparative advantage**

The choice of priority sectors takes also into account the comparative advantage of the Austrian Development Cooperation constituted by a

- historical involvement
- strong position vis-à-vis government and other partners
- strong sectoral know how in Regional Bureau
- strong position of the Regional Bureau in donor coordination
- strong implementing agencies

The strongest comparative advantage of the Austrian Development Cooperation according to above criteria is given in the following sectors: Water and Sanitation, Private Sector Development and Governance.

### **5.2.4. Funding gap – no over funding in sector**

On the basis of above demand principle, those sectors should be chosen, which show the least concentration of donor funding.

Currently the most funded sectors in Uganda are education and health.

Sectors with low donor concentration and/or lower levels of funding:

Private Sector

Governance

### **5.2.5. Sectoral linkages and interfaces**

Concentration sectors have to show clear sectoral linkages, interfaces and synergies. These must not only exist in theory, but in the practical implementation of programmes and projects.

Such linkages are significant in the following sectors:

- Water Development - Governance (Decentralisation)
- Governance (Law) - Private Sector
- Private Sector - Water Development

Given 5.2.1 to 5.2.5 the choice of concentration sectors falls on Water and Sanitation, Private Sector Development and Governance. Decentralisation is part of governance, but it also performs a crosscutting role of utmost importance.

### **5.3. Choice of geographical concentration**

The geographical concentration is being set through the following criteria:

- Historically grown relations and context of current projects/programmes
- Prevalence of high poverty
- Possibility of good impact, favourable existing structures and environment
- Low donor concentration.

For many years now, the Austrian Development Cooperation has developed good working relations with South western districts of Uganda, in particular Kisoro District. These districts are poor, but programmes and projects have generally shown positive impact. Donor concentration in the South west is considered to be one of the lowest in the country.

Political Developments in Kisoro and Rukungiri Districts remain to be seen.

## 5.4. The Programme

### 5.4.1 Austria as a stakeholder in policy dialogue, coordination and participation in the national development processes

- GoU-liaison
- Donor coordination groups
- EU-HoM-liaison
- IMF/WB-liaison
- Participation in PEAP-process
- Participation in Post Referendum Support Group

One of the most important tasks of a donor present in Uganda is to seriously perform its role as a stakeholder in the national development process. As the concept of CDF implies, all elements of development are linked and interdependent, therefore only close cooperation with all stakeholders can achieve positive development results.

As an entry point

- Liaison and coordination with GoU
- Coordination and liaison amongst donors

have to be taken most seriously. In Uganda several fora exist to carry these types of coordination and liaison forward. More and more coordination and liaison deepens at sectoral and central level. The aim is to integrate donor interventions with government policies and strategies.

At the central level coordination and liaison is not confined to the traditional mechanisms like Local Donor Meetings, Consultative Group Meetings and EU-Heads of Cooperation Meetings, but comprises of the whole range of instruments of development finance and policy. It takes the form of not only information exchange, but of dialog and consultation. As stakeholders not only can donors participate in the formulation of strategies, but also in the monitoring of their implementation.

The government budget is the ultimate instrument of development finance in Uganda. It reflects the strategies applied and the priorities set. Without monitoring the whole complex budget process, a donor can hardly establish sufficient understanding for the development process in the country and arrange interventions accordingly.

The most important processes to take part in for Austria for adequate coordination and liaison at the central level are:

- Budget process
- PEAP/PRSP
- PRSC
- PAF
- Decentralisation
- Public financial management reform
- Public service reform

World Bank and IMF exercise influence in the formulation and implementation of policies and have, through the magnitude of their loans and provision of funds, great impact in the country's development finance. Coordination and liaison with them and other multilateral finance institutions is therefore important. Austrian representations in these institutions should be used to improve on the effectiveness of such coordination.

For coordination at the central level participation in the macroeconomic discussions is key. Donors exercise, willingly or unwillingly, severe macroeconomic influence and they have to intervene, collectively and individually. Consequently, Austria takes part in the macroeconomic donor group.

In order for Austria to be part of the political dialogue on the central level, participation in the EU-HoM group and in the Post Referendum Support Group is essential and to an extent the North

Uganda/Amnesty HoM-Group. In an individual form, Austrian access to political decision makers for discussion of generic policy issues will be limited.

EU liaison concerning complementarity of EU-MS and the Country Support Strategy of the European Development Fund for Uganda is another highly important subject. In addition, coordination at the level of EU-Heads of Cooperation brings about a common approach and thus greater leverage in other development fora.

It is at the sectoral level that the most important and efficient coordination amongst donors, government and stakeholders from the civil society takes place. Without participation in the sectoral coordination processes, a sectoral programme can hardly gain effectiveness. It gives access to the formulation of the national sectoral policies and provides the framework for sectoral interventions. Monitoring all relevant sectoral review processes would in fact be necessary to build a holistic view of overall performance and governance in Uganda. Because of capacity constraints, Austria will only follow those sectoral processes, in which she provides financing.

It is important to state clearly that the magnitude of activities resulting from the above have to be carried out by the Austrian local representation, the Austrian Regional Bureau. All the processes require steady presence; no process can be adequately followed from abroad. These activities are contributions to the development process, required from donors in a contemporary development approach. They do not constitute mere overhead costs of the administration, but development costs for processes, in which the donor takes part as a stakeholder.

#### **5.4.2. Water Supply and Sanitation**

- Water policy development at national level
- Continuation with SWTWS project and with SWUWS (South Western Umbrella of Water and Sanitation)
- Cooperation with MWLE and DWD
- Funding channels through PAF
  
- Decentralisation
  
- Role of districts
- Technical Support Units

As improvements in water supply and sanitation have a direct impact on the users' health and as this improvements considerably contribute to poverty alleviation the Water and Sanitation Sector is given high priority by the Austrian Development Cooperation. The Austrian Development Cooperation is eager to coordinate its support to the Water and Sanitation Sector with all stakeholders in order to achieve the synergies required for a comprehensive sector development.

The Austrian Development Cooperation's support to the Water and Sanitation Sector in Uganda started in 1990 by co-financing a major part of the "Kampala 2<sup>nd</sup> Water Project" (distribution network rehabilitation). In 1994 Austria was the first bilateral donor to provide funds for the improvement of water supply and sanitation in a cluster of 18 rural growth centres and small towns in the South West of Uganda under the „Rural Towns Water and Sanitation Programme“. The ongoing „South Western Towns Water and Sanitation Project“ (swTws) does not only contribute to improve water supply and sanitation in the project area but through intensive dialogue with the government of Uganda also contributes considerably to the development of the policies and guidelines for the Rural Water Supply and Sanitation Sub-sector.

By 2002 all 18 towns under swTws will have adequate water supply and sanitation facilities including a sustainable management structure based on ownership and management by the users. A second phase of swTws catering for another 30 rural growth centres and small towns will be launched from 2002 onwards.

Furthermore the Austrian Development Cooperation will conclude the „Kitgum Town Water Supply Rehabilitation Project“ started in 1998.

All activities cofinanced by the Austrian Development Cooperation including emergency programmes

with regards to water supply and sanitation will have to be implemented in line with existing bilateral and civil principles.

The recent development in the Water and Sanitation Sector – the Rural and Urban Water Sector reform together with the move towards a Sector Wide Approach (SWAP) going along with substantial financial resources provided by the Poverty Reduction Support Credit (PRSC) and the Poverty Action Funds (PAF) being made available to the districts through conditional grants – is highly appreciated and supported by the Austrian Development Cooperation.

The assistance provided by the Austrian Development Cooperation will strive to integrate

water supply and sanitation,

protection of water sources,

social empowerment by creation of ownership at local level,

economic management at schemes level and at regional level through associations of systems

as well as promotion of ecological sanitation.

In order to overcome the difficulties lying ahead, to minimise friction losses, to fully enable the districts to play their roles and to install appropriate monitoring mechanisms, a joint effort by the government of Uganda and the donor community will be required. In order to contribute to the achievement of these goals the Austrian Development Cooperation will continue besides providing support for investment in new infrastructures in its efforts to support the ongoing decentralisation and put more emphasis on the provision of structural support to the Water and Sanitation Sector in Uganda.

The swTws-team under DWD will continue to facilitate the implementation of new schemes (including mobilisation, design, planning, monitoring, and setting up of management structures). Physical works are contracted out to the private sector and swTws works in close cooperation with the District Water Offices bearing in mind the medium term objective to enable the District Water Offices to directly administrate the funds provided by the Austrian Development Cooperation for investment in infrastructures.

The support provided by the Austrian Development Cooperation to the Water and Sanitation Sector in Uganda for the next three years encompasses the following components:

Completion of water supply and sanitation infrastructure for the 18 small towns under phase I of swTws, including setting up of sustainable management structures and follow ups

Assistance to the District Water Offices in Mbarara, Bushenyi, Ntungamo, Rukungiri, Kanungu, Kabale, and Kisoro Districts through the Technical Support Unit 8 (TSU 8) Kabale

Setting up of an umbrella organisation (swUws) as a support body for Water Supply and Sanitation Boards (WSSB) / Water and Sanitation Committees (WSC) and their systems in the project area

Provision of water supply and sanitation infrastructure for 30 small towns under phase II of swTws, including the setting up of sustainable management structures and follow ups.

Promoting the ownership by the government of Uganda the cooperation between the government of Uganda and the government of Austria shall be ruled by the spirit of equal partnership with joint monitoring and joint evaluation missions, an annual consultation meeting and an annual Cooperation Agreement as the instruments.

The Austrian Development Cooperation pledges to continue its support to the Water and Sanitation Sector under the Sector Wide Approach asking the government of Uganda to ensure transparency and accountability.

#### **5.4.3. Governance**

- Support to judicial and legal reform
- Protection of Human Rights and Access to Law
- Democratisation

Governance and the quality of government heavily impacts on the lives of the people. *“It has become increasingly apparent that there is a vital connection between open, democratic and accountable systems of governance and respect of human rights, and the ability to achieve sustained economic and social development”* (OECD, Participatory Development and Good Governance, 1995). The protection and realisation of people’s rights and the provision of basic services can only be secured by the state. In assisting governments to be more responsive to peoples needs, development partners need to pay more attention to wider issues in relation to Governance, such as the quality of political systems, corruption, corporate governance, policy-making processes and human rights. This is to enable the state to carry out its mandatory functions vis-à-vis its citizens by way of sound service delivery, and to secure the protection of the rights of its citizenry.

Governance cuts across all sectors in the public and private sphere. The quality of Governance therefore impacts on all state institutions, the entire private sector as well as civil society. Just as government institutions need to apply principles of governance by putting in place sound financial and administrative systems to secure reliable service delivery, in the same way the private sector and civil society need to apply governance principles within their institutional set-up. Governance and decentralisation are intrinsically interlinked. Thus sound decentralised financial and administrative systems need to be established and maintained to enable the central and local government to guarantee equitable provision of basic services to the rural clientele.

Governance is the main entry point for a wider political discourse and policy-dialogue with the Government of Uganda. Numerous fora on various important governance related issues have therefore been set up to facilitate the dialogue between donors and government. Taking into account different approaches to promoting governance, both donors and government have placed emphasis on a number of areas: Financial management reform, combat against corruption, legal and judicial reform and decentralisation are currently the most prominent areas for attracting donor interest and support. Increasingly, donors also pay attention to democratic development by ways of supporting human rights and civic education programmes in the country.

The Government’s overall policy framework, the Poverty Eradication Action Plan (PEAP), constitutes the major framework for good governance in Uganda. It identifies the following nine core areas as essential for the enhancement of good governance in Uganda: justice/law and order; security; peace and conflict resolution; planning; decentralisation; democratisation; transparency and accountability; public administration and service delivery; respect, protection and promotion of human rights and equity; and public information;

In acknowledgement of the government’s priorities as set out in the PEAP, the Austrian Development Cooperation focuses on judicial and legal reform, protection of human rights, democratisation, decentralisation.

#### **Support to Judicial and Legal Reform:**

- Support to the Sector-Wide Approach (SWAP) in the Justice, Law and Order Sector (JLOS)  
Uganda has been the first country in Africa to develop a Justice, Law and Order Sector-wide Reform Programme. A Sector-Wide Strategic Plan, providing policy directions and focusing on an affordable, prioritised and realistic reform and investment programme, is under implementation. A comprehensive justice reform is emerging from the outcome of the Uganda Participatory Poverty Assessment Project, the focus of the Programme therefore is improving service delivery for the poor, focusing on effective criminal justice systems.

The Austrian Development Cooperation’s focus is on the support to the formulation of an overall strategic plan and a sector investment plan to ensure the adherence to the rule of law through major reforms in relation to the laws, the courts, the legal profession, the judiciary and a wide range of legal sector institutions.

Common donor financing takes the form of sectoral budget support.

The implementation of the Sector-Wide Strategic Plan is assisted by a sector secretariat. Monitoring is assured by semi-annual reviews, comprising all stakeholders in the SWAP, by sectoral audits and by financial tracking studies.

- Support to the Commercial Justice Reform Programme:

The Government has designed a medium-term Private Sector Development Strategy in policy paper “Medium Term Competitive Strategy for the Private Sector (2000-2005) - Making Institutions support private sector growth”. The main goal of this strategy is to improve competitiveness by increasing productivity at the firm/industry level through an appropriate policy, regulatory and institutional framework in support of efficient allocation of resources, promote competition, spur innovation, and reduce the cost of doing business. The ultimate objective is to reduce poverty by providing the business community with a more conducive environment. A comprehensive Commercial Justice reform was identified as one of the key priorities. The GoU launched a Commercial Justice Reform Programme, which aims at establishing a sound enabling environment providing private investors with clear and stable “rules of the game” through an adequate legal and regulatory framework. Austria will support this process through her contribution to the Justice SWAP.

### **Protection of Human Rights**

The human rights situation has improved dramatically with the inception of the Movement regime. Though, the question arises, how the restriction of political organisations according to Art. 269 of the Constitution of 1995 is to be seen from a human rights perspective. Human rights violations also arise from an insufficient justice, law and order system, and making people subject to an inefficient judiciary, arbitrary arrests and imprisonment under inhuman circumstances.

- The main avenue for the Austrian Development Cooperation will be to tackle human rights issues through political dialog, advocating the opening up of the political space,
- through improving the justice, law and order sector (JLOS)
- and through financing the Uganda Human Rights Commission and specialised CSOs.

### **Access to Law**

Decentralised justice faces severe constraints in Uganda, both in terms of structure and capacity. Local Council Courts, being embedded in the local government structure, are closest to people in remote districts though they have many institutional constraints to the disadvantage of their rural clientele. Local Council Courts staff lack qualified personnel, lack of capacity to keep documentation of proceedings, lack of training, only to mention a few. Further, the linkage between Local Council Courts and other judicial institutions, such as police, courts, probation, is weak.

Overall justice reform will address many of these structural and institutional deficiencies in the long term. As a result of a malfunctioning formal justice system numerous donor funded Legal Aid Clinics (aiming at providing essential legal advice including legal representation, primarily to the rural population in Uganda) were set up in recent years. Legal Aid clinics have managed to devise mitigation strategies to a great extent by way of setting up alternative conflict resolution mechanisms. Their existence will be paramount until centrally instigated reform processes reach out to the rural clientele.

It is paramount to further promote decentralised legal services in remote districts to fill the gap of lacking legal services at lower levels as an interim solution to the many problems rural people are facing on a day-to-day basis in claiming their rights.

Legal Aid can also strengthen the process of acquiring critical awareness about rights and the law, the ability to assert rights, and the capacity to mobilise for change. Legal Aid can help to encourage people’s participation which is necessary for inspiring policy review and reform in the long run.

- Legal Aid Clinics: in SW-Uganda for the provision of legal services to a rural clientele with no or little access to the formal justice system;

## Support of Democratisation and the Electoral Process:

- Elections: Support to election monitoring, voter and civic education programmes around elections;
- National Civic Education Programme: Support to the formulation of a national civic education framework, policy and programme for the promotion democratic development;
- Capacity building for Women Local Councillors: Skills training and capacity-building for women Local Councillors particularly in conflict regions and newly established districts in Uganda;

### 5.4.4. Decentralisation

- Capacity building
  - Financial administration
  - Development Planning
- Implementation of DDP in rural water supply
- Assistance to districts to comply with LGDP conditions
- Integration of Districts into LGDP
- Participation in the formulation of a new approach to decentralisation

Austrian support to the decentralisation process in Uganda began 1996 in Kisoro district. It was characterised by direct Austrian support to this district, execution of various micro-projects by the district with the help of a relatively powerful district advisor. Decentralisation initiatives and procedures at a national level had received relatively little attention.

Therefore, Austria will strengthen the decentralisation process on both levels, national level and district level, i.e. will continue her support to Kisoro district.

Activities in Kisoro:

- Capacity building in the financial and planning departments of the district. Kisoro district has been far behind in producing final accounts for the last 6 financial years. A local consultancy firm has been providing assistance to produce those final accounts and the work has been completed. In planning consultancy assistance has been procured to develop a fully bottom-up DDP for the period 2003-2007.
- Capacity building in other departments of Kisoro local government. Based on the bi-annual assessment reports of the Ministry of Local Government, a capacity building programme is worked out with the goal of qualifying for the minimum conditions set under LGDP. Per July 2002 Kisoro district has qualified.
- Support to the water and sanitation sector. After the successful completion of the Kisoro town water and sanitation programme, the district requested the Austrian development cooperation to assist in supply of clean water to the surrounding rural villages. A feasibility study will be undertaken this year, after which construction works are likely to start by next year.
- Supply of equipment for the operation theatre in Kisoro hospital. This is an old commitment originating from the first phase of KDP. The district tender board (with assistance of SWIPCO, an international procurement company) has awarded the tender for the supply of the listed items. Delivery of goods has taken place in August 2002.

It is foreseen that there will be a change of funding arrangements in the future. Once the safety of the structure allows it, instead of directly supporting the local government level, development funds will be channelled through a nationally accepted mechanism like the LGDP, thus strengthening a uniform system of district support. Austrian funds will be used for the water and sanitation sector as well as for activities related to the organisational strengthening of the district local government. Additionally it is envisaged to attract Austrian NGO's to work in this district in order to contribute to a more comprehensive and extended programme. Presently Horizont 3000 is executing a sustainable agricultural production programme in Kisoro district, together with a local NGO called Africa 2000 Network.

#### 5.4.5. Private Sector

- Monitoring of the implementation of MTCS
- Support to Microfinance-Institutions
- Business Development Services for Micro and Small Enterprises

The Government of Uganda pursues a multi-pronged strategy of poverty reduction. Within this strategy it also puts an emphasis on private sector development through the Medium-term Competitive Strategy for Private Sector Development, 2000-2005, along with the Plan for Modernisation of Agriculture (PMA). Due to the nature of the financial and private sectors and the role of government as providing an enabling framework, they do not lend themselves to the PEAP approaches of sector-wide support or basket funding.

At the Consultative Group Meeting in May 2001 the GoU again underlined its commitment to private sector development in the context of economic growth, which is necessary not only to further reduce poverty levels, but also indeed to maintain current levels in light of the imbalance between economic growth and population growth projections.

Both the MTCS and PMA include a focus on frameworks and government actions that support the development of viable financial and private sectors. Particular emphasis is paid to sustainable growth of the microfinance (MF) and the micro, small and medium enterprise (MSME) sectors, as well as to setting the path for an integrated financial sector. A well functioning financial sector is considered a critical condition for private sector growth.

The Austrian Development Cooperation has supported the development of the MTCS and is now supporting the coordination of its implementation. Austrian programming in support of private sector development in Uganda has been guided by the MTCS. The principles in the MTCS conform to Austrian policy and international good practice.

The aim of the Austrian programming strategy for Uganda's financial and private sectors is to support the realisation of the MTCS in two of the eight strategic areas; they are: 'Strengthening the Financial Sector and Improving Access' and 'Improving the Business Environment for MSMEs'.

Key partners will continue to be the Ministry of Finance, Planning and Economic Development (MFPED) which also leads the realisation of the MTCS; organisations representing the private sector, such as the Private Sector Foundation (PSF) and sector associations, Ugandan and international organisations actively contributing to the development of the financial and private sectors in Uganda, and Austrian and multilateral organisations who are interested in contributing to implementing the Austrian strategy.

The Austrian programming strategy has three foci for support:

- supporting the establishment and improvement of financial and private sector frameworks and their implementation
- facilitating the growth of a demand-oriented financial sector for MSMEs and the low income population
- improving management and product quality in selected micro-scale productive sectors (currently leather & shoe production, and carpentry)

This builds on and refines previous support. A general indication of some of the current initiatives and project support, and of some planned initiatives best illustrate the approach:

- seeking and facilitating donor collaboration such as through participation in donor groups as well as technical working groups (TWGs) of the MTCS, identifying joint funding opportunities, and drafting of donor guidelines for support to the microfinance sector;

- supporting the realisation of the MTCS through funding of a consultant to coordinate the process and through participation in TWGs along with membership on the Interim Steering Committee for MTCS;
- participating in the development of a rural finance outreach strategy and implementation plan;
- supporting a small number of MFIs to innovate or improve on their services and to build their capacity to reach a level of sustainability that allows them to seek financing on a commercial basis;
- collaborating with and support to a regional programme (Microwave-Africa) to strengthen MFIs and introduce client-oriented services; the current collaboration includes two market research studies for potential financial product identification and design; planned project support includes improvements and distribution of the action research and training documentation as well as a fund to support MF action research partner in piloting product innovations;
- supporting MFIs and related services, such a micro health insurance, in expanding their presence into rural areas;
- supporting micro-scale producers, primarily in the leather and carpentry sectors, by opening up the access to BDS as training, information, and making available key inputs;
- strengthening the capacity to manage business and production processes, as well as facilitate the provision of BDS as training, information, and intermediate supplies to make them available in small quantities;
- strengthening the capacity among micro entrepreneurs to negotiate and to contribute to policy and other debates.

The realisation of these initiatives and projects includes cross-cutting issues and policy directives that are of importance to the Austrian Development cooperation:

Capacity building:

Most of the project support includes components of capacity building, such as training of trainers, improving management skills and experiential learning in financial product development;

Gender: Screening and monitoring projects for missed opportunities or detrimental effects for improving gender equality;

Environment: Screening and monitoring projects for missed opportunities or detrimental effects for improving environment situation; for instance, discussing improvements to 'project messages' or approaches, such as opportunities to promote alternative energies instead of contributing to a detrimental effect by promoting wood burning in dairy processing;

Improved donor collaboration and joint initiatives (multi- & bilateral):

Seeking and facilitating donor collaboration through active participation in relevant groups, fora, and debates; seeking opportunities for joint funding such as the joint support to the Financial Services Association by DfID, EU-SUFFICE and Austria.

Programmatic Integration in Uganda:

The four programming strategies pursued in Uganda seek synergies. Part of the strategy for support to the financial and private sectors is to identify complementary initiatives in terms of geographic as well as thematic orientation. For instance, three of the projects in preparation will focus on South-western Uganda to further develop a path towards integrated programming. Discussions on both decentralisation, water and sanitation programmes are under way as to how changes in those sectors will require strengthening of the private sector and how this could be done. An exploration of product innovations in microfinance to facilitate introduction of alternative energies or enable access to working capital for winning bidders in decentralised tendering processes might be pursued. The connection to legal reform in the commercial justice reform programme, which is also included in the MTCS, is currently the strongest and most obvious link.

**5.4.6. Other**

Multi-bi Financing: UNIDO is the most important recipient of multi-bi project financing. UNIDO-projects fit well into the Austrian private sector development framework. During the programme period Austrian financing will be extended to a Cleaner Production Centre and to an Internet-network system for information exchange and marketing of small enterprises as elements of the Uganda Integrated Programme (UIP).

The International Committee of the Red Cross is supported in its humanitarian work with internally displaced people in Western and Northern Uganda.

Austrian funding for a regional ILO project against child labour falls under the programmatic chapter of Human Rights.

NGO-Cofinancing: NGO-Cofinancing is in general outside the programmatic framework. Most of them can be subsumed under health sector projects in northern Uganda and stand alone education sector projects, some of them in the focus district of Kisoro. Major Austrian partner NGOs for cofinancing in Uganda are Horizont 3000, Dreikönigsaktion, Catholic Mens' Movement, ICEP.

## **5.5. Crosscutting Issues**

### **5.5.1. Culture**

Not only is culture an important determinant of national ownership of development processes and self-confidence, but also a link between nations. It performs many roles and is thus a permanent feature in a country programme or a focus country. This thematic issue performs partially the role of a sector in the Country Programme of the Austrian Development Cooperation in Uganda, which is expressed in two long-term projects:

- National theatre festival
- Development theatre building

However, a specific approach to culture as reflected in the daily life of Ugandans, in their traditions, in their way of thinking and understanding, in their formal and informal structures etc, is an integral part of each project or programme. By integrating this Country Programme into the PEAP, by buying into the national development strategies and by securing national ownership of the development process at all levels the danger of domination of an external cultural approach is significantly reduced as compared to a mere project approach.

### **5.5.2. Environment**

The Government of Uganda generally pursues policies of a sustainable environment. This is expressed in the Vision 2025 and the PEAP, in specialised laws, the Environmental Protection Plan, in the existence of the environmental authority NEMA and in various sectoral policies. The report on the implementation of the Agenda 21 in Uganda gives a positive account on the national efforts to comply with international standards.

In some review processes and especially in the PRSC-policy matrix, the most burning environmental issues are formulated as benchmarks and are such subject to constant review. Budgetary allocations to environment relevant institutions and activities will be monitored as a critical factor of implementation of environmental policies.

All individual sectors of this Country Programme have a strong environmental orientation. The water sector programme is fundamentally interwoven with environmental protection and socially viable approaches. Spring protection, the minimization of wastewater, environmental friendly wastewater management etc. are cornerstones of this sectoral approach.

Governance is in itself a precondition for the creation of environment friendly policies and their implementation. Bad governance forms the basis for the destruction of the environment. Only good governance structures at central and decentralised levels can provide the necessary framework for putting in place and enforce of environmental rules and regulations.

In the case of private sector development the conciliation of private enterprises, especially in the highly poverty relevant micro, small and medium enterprise subsector (MSME), with environmental goals is a challenge and difficult to achieve. However, this private sector development programme for Uganda includes important environmental elements, which enhance the environmental approach in the framework of private sector development. These are in particular the Cleaner Production Centre and the support for MTCS (Medium Term Competitiveness Strategy) with its environmental chapter. In connection with BDS, approaches that integrate environmental considerations in business development like the promotion of eco-mapping and good housekeeping applications receive high attention.

### **5.5.3. Gender**

Government's commitment to a gender responsive development agenda is outlined in the Constitution and the National Gender Policy. The Ministry of Gender, Labour and Social Development is the national machinery mandated to ensure that gender is mainstreamed in government policies and programmes on both national and local level. In execution of its mandate, the Ministry conducts gender-mainstreaming activities with sectoral Ministries and District councillors and civil servants. The Ministry is also responsible for the fulfilment of international obligations under the Convention on the Rights of the Child (CRC), CEDAW and the Beijing Declaration and Programme of Action.

In some review processes, e.g. in the Education Sector, the Health sector and the Justice Law and Order Sector the most burning gender issues are formulated as benchmarks and are such subject to sectoral reviews reflected in the central PRSC-policy matrix.

Austria supports this positive orientation wherever possible, through participation in the policy dialogue, sector meetings and donor coordination groups and promote the development of common strategies for gender-mainstreaming in all the processes.

Specific support will be given to Microfinance Institutions providing savings and credit schemes for rural women, to support their economic empowerment. In education emphasis is placed on facilitating access of female students from rural areas to higher education through scholarship programmes. Capacity building on district level should contribute to the creation of gender responsive local government structures and to awareness raising about women's rights.

Each project supported by the Austrian Development Cooperation will be screened against the Gender-Criteria, to assess its contribution to gender equality and identify entry-points and links for strengthening gender sensitive approaches.

### **5.5.4. Capacity building**

A significant linkage exists between capacity building and the above-mentioned priority sectors. Austrian Development Cooperation pursues the approach of capacity building as an instrument within this country programme with the aim to build personnel and institutional capacities in the priority sectors as well as in cross cutting issues such as gender, decentralisation and environment. The already established instruments are characterised by a broad diversity such as scholarship programmes for postgraduate courses and other training courses in Uganda, Austria or other third countries, built-in capacity development measures within programmes and projects, skills development activities etc.

#### **Governance**

This Programme supports the sector-wide Strategic Plan for the legal sector, among which the strengthening of institutional and personnel capacities represents an important aspect.

As for Decentralisation, specific capacity building programmes will be supported at district and sub county level in the areas of financial administration and development planning.

#### **Water supply and sanitation**

In the water sector temporary Technical Support Units (TSUs) will be financed, which aim at building institutional capacities in the water sector at district level. Furthermore the Postgraduate Training Programme in Limnology and respective Networks strengthen the capacities of local research institutions and higher education institutions to increase the problem solving capacities in Uganda.

#### **Private sector development**

Capacity building measures in this sector focus on various levels: enterprise level, the level of financial institutions and relevant associations, and the level of policymaking. Special emphasis will be given to productive capacity building.

More capacity building measures are the Local Scholarship Programme, which aims at strengthening existing capacities, mainly in above sectors but also in other fields of priority for Uganda's development as a whole and South Western priority districts in particular.

Through other Scholarship Programmes of ADC, Ugandans capacities are strengthened in the field of community health, peace building, tourism and hotel management and educational planning.

## 6. Partner and Funds of Intervention

The time period foreseen for the intervention of this country programme is 3 years, from 2002 to 2004. The partner of the Austrian Development Cooperation in conceptualising and implementing this programme as an integral part of the PEAP is the Government of Uganda at the central and at the local level. As emphasised in the PEAP-Partnership principles, the Austrian Development Cooperation will continue to provide budget support, mostly sectoral support through SWAPs and the line ministries in the sectors indicated above. In the field of decentralisation, the Austrian Development Cooperation deals directly with Local Governments as well as with the Ministry of Local Government.

As the PEAP includes the civil society, civil society organisations are important implementing partners. Austrian NGOs may act as intermediaries to Ugandan NGOs and CBOs, strengthening exchange of ideas and partnership at the civil society level. Depending on the level of know how, Austrian, Ugandan and international NGOs and firms may be contracted as implementing agencies.

Cooperation and coordination with all other stakeholders, including other donors, in the areas of intervention outlined above is a permanent feature of this programme. Special attention will be given to cooperation and coordination within the European Union.

## 7. Logic of Intervention:

### 7.1. Overall Development Goal

In accordance with the Millennium Goals, the Austrian Development Policy and the Ugandan Vision 2025, the Country Programme Uganda aims in the long term to eradicate poverty

### 7.2. Policy Goal

In line with the PEAP Partnership Principles, this Country Programme aims in the medium and short term to contribute to the implementation of the PEAP and to achieve its targets in terms of poverty reduction through macro-economic growth, good governance and security, raising the income of the poor and enhanced quality of life of the poor (four pillars of the PEAP).

### 7.3. Programme activities

As a consequence of 7.3, programme activities are grouped around the four pillars of the PEAP:

- Pillar 1: Macro-economic growth:

Within Pillar 1 the Programme shall embark on the improvement of the enabling environment for private sector development, broadening of the productive base and enhancing exports.

The dynamics and growth of the national economy is first and foremost a result of the activities of private entrepreneurs both of the formal and the informal sector. Interventions on the side of the Government should mainly be strategic and limited to creating a conducive environment for effective private sector development. This is laid down in the Medium Term Competitiveness Strategy (MTCS) and its implementation should be monitored under private sector participation and results fed back to the political decision level.

Further economic growth should be achieved by extending the economic base to the poor, by creating and expanding micro and small-scale businesses and by opening up the financial system for them.

Austria shall further provide financing to an ecologically sound base of private sector growth.

The scholarships at Austrian Universities at an advanced degree level shall contribute to building up a highly skilled workforce with growth enhancing effects.

The Austrian Development Cooperation shall effectively take part in the Private Sector Donor Coordination Group.

- Pillar 2: Good Governance and Security:

Within Pillar 2 the Programme shall embark on the enhancement of justice, law and order (JLO), on the public service reform, on decentralisation and on human rights.

The Austrian Development Cooperation shall be part of the JLO-sector wide approach led by the MJCA and contribute to the implementation of the sector wide strategic plan. Financing Legal Aid Clinics in districts shall increase the access to justice.

Austria may continue to provide financing for the Public Service Reform according to the Strategic Plan 2002–2007.

In the field of decentralisation, the Austrian Development Cooperation shall contribute to the implementation of the Fiscal Decentralisation Strategy, to Local Government capacity building through LGDP, through individual project support and through its Local Scholarship Programme and to the implementation of decentralised social infrastructure in the Water Sector.

Austria shall further finance activities in the field of enhancing awareness of and respect for Human Rights, as carried out e.g. by the Human Rights Commission.

- Pillar 3: Raising the incomes of the poor:

Within Pillar 3 the Programme shall embark on microfinance and business development services for micro and small enterprises.

By opening up the financial sector to the poor segments of society, poor people shall be enabled to improved income generating activities. By providing business development services and access to capital micro and small businesses shall be upgraded to higher levels of employment and income.

NGO-cofinancing might be extended to agricultural income generation.

- Pillar 4: Enhanced quality of life of the poor:

Within Pillar 4 the Programme shall embark on water and sanitation service delivery, in particular in rural areas and growth points in Southwest Uganda, including decentralised capacity building in the sector.

The Austrian Development Cooperation shall be part of the sector wide approach led by the Directorate of Water Development in the MWLE.

The strategy for rural water supply should be community based and demand-driven, the local communities being required to participate in the selection of the site and the type of technology to be installed which has to be within their capacity to operate and maintain both financially and technically. In all these efforts, the aspect of wastewater and sewerage systems will be of greatest importance. Emphasis is also being put on the application of appropriate and sustainable technologies.

Through cofinancing arrangements with Austrian NGOs the Austrian Development Cooperation shall promote the expansion of health services in Northern Uganda.

#### **7.4 Matrix**

The intervention matrix is shown in Annex 1.

## **8. Implementation of the Country Programme**

### **8.1. Indicative Budget**

The indicative budget of this country programme will be as follows:

(in Mio Euro)	2003	2004	2005
Water	1,5	1,5	1,5
Governance (excl. Decentralisation)	1,0	1,0	1,0
Decentralisation (capacity building)	0,5	0,5	0,5
Private Sector Development	1,3	1,3	1,3
<u>Crosscutting issues (Culture)</u>	<u>0,3</u>	<u>0,3</u>	<u>0,3</u>
Total (incl. ERP)	4,6	4,6	4,6

This budget will be implemented in the form of sectoral assistance (earmarked for the sector wide processes in the Water Sector, the Justice, Law and Order Sector and for MTCS implementation), basket funding and project finance. Sectoral assistance may take the form both of sectorally earmarked budget aid or project finance within the respective sector plans.

Other Austrian financing comprises the Austrian Scholarship Programme (BMAA-VII/A/2b) and cofinancing arrangements with Austrian NGOs, targeted mainly to hospitals in Northern Uganda, with a cofinancing share of the Austrian Development Cooperation of 50 %.

NGO-cofinancing arrangements with the European Commission (including a 15 % share Austrian Government finance) are encouraged and facilitated.

The possibility of cofinancing of the South Western Towns Water and Sanitation Project, phase II, with the European Commission is under negotiation as a pilot.

Bilateral funding of multilateral projects by BMaA-VII.1 constitutes an important programme component and is additional to above budget.

### ***8.2. Implementation of the Programme and awarding of contracts***

For contributions to the sector wide processes in the Water and the Justice, Law and Order Sectors as well as for MTCS-implementation financing agreements are usually entered directly with the Ugandan Ministry of Finance, Planning and Economic Development or other government institutions playing a leading role in the respective processes.

For project finance of significant scale tenders have to be carried out according to Austrian and European procurement rules and regulations. For local contract awards Ugandan procurement rules and regulations have to be followed.

### ***8.3. Organisational framework***

The Austrian Regional Bureau in Kampala is responsible for the management and monitoring of the overall Country Programme. In this endeavour it is supported by the respective sectoral and cross cutting back up structures in headquarters in Vienna. Proposals for the financing of projects and programmes are directed from the Regional Bureau to the Headquarters for approval and processing. Approval, financial, disbursement and control issues are being taken care of by the respective departments within BMaA-VII.

BMaA-VII as such (including its support structures) exercises supervision and monitoring of the implementation of this Country Programme along the general and sectoral policies and guidelines.

### ***8.4. Phasing and timing***

The implementation of this Country Programme follows the Ugandan financial year as closely as possible, particularly in the case of financing of sector investment programmes. As all programmes and projects should be part of the MTEF and built into the budget cycle of the host country, financing should be early in the budget year (July to June) in order to facilitate an orderly budget execution, or, in the case of projects, a timely implementation of projects foreseen in the MTEF. Donor discipline with this respect is crucial to an orderly execution of budgets and plans and thus an orderly execution of government business.

Projects and programmes should receive approval by the headquarters in Vienna in the first semester of the calendar year and disbursements should start in July and August and continue according to the respective schedule.

### ***8.5. Financing of implementation logistics***

The necessary logistics for the implementation of this Country Programme is being financed by BMaA-VII, either directly or via GPR.

### ***8.6. Monitoring und Information System***

Projects must comply with the usual half yearly reporting requirements. In the case of finance for sector investment programmes, yearly or biannual (twice a year) sector reviews and implementation reports, yearly audits of accounts as well as regular stakeholder meetings provide the basic framework for monitoring by the Regional Bureau.

### ***8.7. Evaluation***

The Country Programme shall be evaluated during the second half of 2005, half a year before its expiry.

## **9. Assumptions and Risks for Programme Success**

### **9.1. Assumptions**

In order for this Country Programme to be successfully implemented, it is assumed that:

- external conflicts in the region can be contained
- internal stability can be maintained
- the reform policies of the nineties will continue
- PEAP and sector wide approaches will continue to be implemented
- the Ugandan national sectoral policies will not develop fundamental contradictions to the Austrian sectoral policies
- the policy of decentralisation will continue to be implemented.

On the Austrian side it is assumed that the Regional Bureau can continue to work with minimal requirements and that the flow of funds follows a regular and planned structure.

### **9.2. Risks**

Main risks are of a political nature. The internal political stability is not explicitly fragile, neither is it robust. The for 2006 envisaged change in the top leadership in the state might lead to instability, and even more instability might occur, if this change does not take place. The opening up of the political space does not seem to be an easy process. Although for the time being rebel movements seem to have been more or less contained, new ones could easily emerge.

Also regional conflicts could push Uganda into a crisis. All the conflicts in the Great Lakes Region are potentially contentious for Uganda.

Other risks are economic ones. If domestic revenues and exports continue to develop disappointingly, if the efficiency of public spending cannot be increased, if public spending continues to be widely financed externally, if Uganda's debt proves to be not sustainable, her economic growth rate and success in poverty reduction are highly at risk.

## **10. Sustainability**

### **10.1. Institutional and political support**

All interventions in this Country Programme are footed in the PEAP. Thus, principal political and institutional support can be assumed.

### **10.2. Donor coordination and complementarity**

Uganda is the main beneficiary of the development programmes of several EU Member States (UK, Denmark, Ireland, Netherlands), whereas not all Member States are directly represented in the country (Spain, Portugal, Greece, Finland, Luxembourg). UK, Denmark, Ireland and the Netherlands are directly supporting the budget and provide major assistance to sector wide approaches. Others have mainly developed bilateral assistance programmes, in line with GoU's policies, but not always within coordinated sector approaches (France, Italy). Belgium, Sweden and Germany, who have important bilateral portfolios, are moving towards integrating their support within a coordinated framework such as MTCS, PMA.

Compared to other countries, donor coordination in Uganda is highly developed. It is organised at three levels: The Heads of Mission (HoM) level, the Heads of Cooperation (HoC) level and the technical (T) level. The first level is looking at political dialogue in the first place, the second level deals with the coordination of overall development strategies and the technical level with the coordination within sectors and crosscutting issues.

The most critical feature of coordination in Uganda is the link with Government. Government strategies provide the overall strategic framework (product of a consultative process), where all coordination takes place. This is of utmost importance, because without a commonly accepted strategy, real coordination cannot take off.

This applies equally to the sectoral level: In sectorwide approaches donors and Government agree on a medium term sectoral strategy, which is jointly financed and implemented.

Coordination is thus much more than the mere exchange of information on what everyone is doing: It is about jointly agreeing upon and directly implementing national strategies.

This type of coordination is only possible on the basis of the structure of the Comprehensive Development Strategy (CDF) and the concept of PRSP (PEAP). Whereas the information-exchange type of coordination allows development partners to continue with fragmented and isolated development approaches, coordination on the basis of CDF and PRSP directly impacts on the formulation of policies and strategies and their actual implementation, which is monitored in joint review processes.

Donors are requested to provide the necessary capacities to their structures in order to actively take part in this kind of coordination. In particular, the task of chairing coordination groups requires considerable human resource and material inputs, but it also provides a high degree of visibility of a chairing donor. With most of the groups changing to yearly rotating chairmanships, donors have to have these capacities at hand.

For a donor not being part of this coordination structure means to remain also outside the main development processes.

UN organisations currently play a marginal role in development cooperation coordination, giving them less visibility and impact.

In spite of obvious progress in development cooperation coordination, some important issues remain outstanding. Most importantly, the sectoral allocation of donor funds: Donors tend to allocate their funds to sectors of their priorities, not respecting allocations through the budget process and the Medium Term Expenditure Framework and violating expenditure ceilings set for macroeconomic reasons.

The scope of organised donor coordination can be seen in the coordination organigramme as annexed. New groups arise according to the needs, so the structure is changing.

The Austrian Development Cooperation takes part and plays an active role in the following coordination mechanisms:

*General:* Consultative Group Meetings, Monthly Local Donor Meetings (HoM, HoC), EU Heads of Mission Meetings (HoM), Northern Uganda Group (HoM), Northern Uganda Technical Group (T), Gender Group (T)

*Macro Economic Issues:* Macroeconomic and Poverty Group (T), Macro Donor Group (HoC, T), PRSC Group (HoC, T), Public Expenditure Management Group (HoC, T)

*Governance:* Donor Governance and Democracy Group (HoM), Donor Governance and Democracy Technical Group with various thematical subgroups (HoC, T), Justice, Law and Order SWAP Group (T), Public Sector Reform Group (T), Corruption Group (T), Decentralisation Group (T)

*Water and Sanitation (SWAP-Sector):* Water and Sanitation Sector Donor Group (T)

*Private Sector Development:* Private Sector Donor Group (T) Microfinance Forum (T)

## **EU-Internal Coordination**

Because of the high standard of overall development cooperation coordination, EU-internal coordination of development issues has been neglected over some time. Political coordination on the level of Heads of Mission always worked exemplarily well, but Heads of Cooperation (HoC) only restarted to meet over development issues in 2002 after a break of more than 2 years. In order not subject EU-internal development coordination to the varying approaches of the changing local EU-presidencies, EU-HoM in Kampala decided to put the EU-HoC group under the permanent chairmanship of the EC-Delegation.

The main task of EU-internal development cooperation coordination is to find common positions in the various processes under the PEAP. It is important to consolidate the interests of the general budget support donors (UK, NL, Sweden, Ireland, EC-Com; in preparation: Den, D), also called the big donors, with those of the project and sectoral budget support donors (I, F, B, Aut), also called the

small donors. Some European general budget support donors rather tend to liaise with non-European general budget support donors (World Bank, Nor) than with the other group of European donors. One of the most critical resulting issues is the inclusion of governance benchmarks into the PEAP policy matrix.

In the longer run, the issue of complementarity must be tackled. At the beginning of the time frame of this Country Strategy, there are too many donors in too many sectors, thus placing development funds to sectors or their own priority and neglecting sectoral allocations according to priorities emerging from the budget process on the basis of the PEAP. Either more donors must move into general budget support and leave the sectoral allocation to the budget mechanisms, or each donor has to concentrate on fewer sectors (in particular the small donors in order to concentrate their scarce capacities). In the latter case, EU-donors, making up for the bulk of development assistance, could have a major impact by complying with the complementarity criteria, and agree in a coordinated manner on the allocation of their sectoral funds within the sectoral ceilings set by the budget process.

Another important task of EU-internal coordination is to inform all EU-donors about coordination and development processes, some of them cannot be part of. This benefits the small donors in the first place. Austria can, for capacity reasons, not be part of the important review processes in the health and education sector. Through EU-internal coordination the general orientation in these sectors is shared also with Austria.

### **10.3. *Appropriate technology***

All technologies applied in the implementation of this Country Programme are appropriate, environmentally friendly and socially adequate.

### **10.4. *Environment***

All interventions implied in the implementation of this Country Programme are environmentally friendly and subject to an environmental impact analysis. See under Crosscutting Issues.

### **10.5. *Socio-cultural dimensions***

All activities in this Country Programme must sufficiently take into account social and cultural features of the respective area of intervention. The approach of this programme is not one of conflict between tradition and modernisation, but one of modernisation based on tradition and culture.

### **10.6. *Gender***

The interventions in the sectors and other areas and issues described in this Country Programme have great relevance and potential to contribute to gender equality, a key factor for successful sustainable development.

### **10.7. *Institution and capacity building***

This Country Programme is largely based on strengthening institutions and building capacities. This refers as well to the central government level as to local governments and to the civil society/private sector level.

### **10.8. *Economic sustainability***

At macroeconomic level this Country Programme and the dialogue in which the Austrian Development Cooperation participates is geared towards sound economic reforms, stable economic structures, low inflation, adequate fiscal deficit and monetary policy, private sector based economic growth, regional integration leading the country cautiously into global trade, and sufficient local revenue mobilisation.

The Austrian Development Cooperation abstains from any programme or project activity, which could contribute to macroeconomic harm of the host country and respects thus carefully budgetary ceilings and the medium term expenditure framework, both for programme and project finance.

At the project and programme level this Country Programme does not revert to undue and economically unsustainable subsidies and pays primary attention to sustainable operation and maintenance of infrastructure and institutional structures being erected in the context of financing by the Austrian Development Cooperation.

### **10.9. Predictability of resource flows**

The Austrian Development Cooperation is conscious of the needs of an adequate public finance and macroeconomic management. Flows of funds both to public and private recipients unknown to the planning and managing authorities may harm the fiscal and macroeconomic processes. Unpredictable donor flows may severely hamper the implementation of the government budget and of poverty reduction programmes. Therefore, the Austrian Development Cooperation will duly respect ex-post reporting requirements for disbursed funds, own pledges made and the agreed upon disbursement schedules in projects and programmes.

### **10.10. Long term intervention and additional spending**

Interventions of the Austrian Development Cooperation are characterised by long-term partnership.

In case the financial framework of the Austrian Development Cooperation in Uganda would be up-scaled during the course of this programme, the following sectors and sub-sectors are foreseen and are able to absorb additional funding within the given programmatic approaches:

**Water and Sanitation:** Funding for the implementation of the sector wide approach can be increased in general and in particular earmarked for South Western towns to the tune of at least Euro 1 million per year.

**Public Service Reform:** Phase 1 has been funded by Austria with ATS 35 m. A bridging phase receives Austrian funding of Euro 300,000, partly earmarked for district administration restructuring in Kisoro. Phase 2 starts in late 2003 and is open to Austrian contributions. The amounts of required funding by donors are yet to be determined.

**JLOS:** Austrian funding may be increased, when the SWAP Implementation Fund turns into a full SWAP Fund.

**Private Sector Development:** Absorptive capacities of MFIs are still high, agricultural and SME-credit need special attention. Financing for the extension of BDS-services might be expanded considerably. New ways of enhancing productive capacities directly at the enterprise level could be explored. Financing for trade development can be accommodated.

However, it is acknowledged that additional funding must be strictly within the given medium term expenditure framework and the budgetary ceilings set by the budget process.

## **11. Annexes**

<b>Annex 1</b>	Intervention Matrix
<b>Annex 2</b>	Former Austrian ODA (1999-2001)
<b>Annex 3</b>	Uganda at a glance
<b>Annex 4</b>	Uganda development cooperation structure

## Annex 1

Policy Goal	Sectoral Approach	Strategic Objectives	Objectively Verifiable Indicators	Source of Verification	Programme/ Project/Activity	Assumptions	Risks
Enhanced quality of life of the poor	Water development and sanitation	<ul style="list-style-type: none"> <li>better health and improved living conditions (leading to decreased poverty)</li> <li>human resource development (leads to higher economic growth)</li> </ul>	<ul style="list-style-type: none"> <li>PAF review</li> <li>PEAP process</li> <li>SWAP review</li> </ul>	<ul style="list-style-type: none"> <li>PAF review reports</li> <li>PEAP proc. reports</li> <li>policy dialogue</li> <li>SWAP reports</li> </ul>	<ul style="list-style-type: none"> <li>SWTWS</li> <li>Kitgum Water supply</li> <li>Kisoro district development</li> </ul>	<ul style="list-style-type: none"> <li>Water and Sanitation Sector Reform advances</li> <li>Water and Sanitation Sector Investment Plan can be integrated with Decentralisation</li> <li>Transparent sectoral budget process</li> </ul>	<ul style="list-style-type: none"> <li>General budget constrains do not allow sufficient sector funding and adequate sector ceilings</li> </ul>
Good governance and security	Good Governance and Rule of Law	<ul style="list-style-type: none"> <li>improved reform process</li> <li>democratisation</li> <li>rule of law</li> </ul>	<ul style="list-style-type: none"> <li>accountability and transparency</li> <li>monitoring of human rights and elections</li> <li>law development</li> <li>access to law</li> <li>capacity building</li> <li>policy dialogue</li> </ul>	<ul style="list-style-type: none"> <li>SWAP reports</li> <li>project reports</li> </ul>	<ul style="list-style-type: none"> <li>Election and civic education support</li> <li>Human Rights Commission</li> <li>Local councillors training</li> <li>Legal aid clinics</li> <li>Legal sector SWAP participation</li> <li>Support to commercial justice reform</li> <li>Policy development</li> </ul>	<ul style="list-style-type: none"> <li>Maintenance of internal stability</li> <li>Political will to open up the political space</li> <li>Political will to carry through all public sector reforms</li> </ul>	<ul style="list-style-type: none"> <li>Armed rebellion spreads</li> <li>GoU blocks the way to more political pluralism</li> </ul>
	Decentralisation	<ul style="list-style-type: none"> <li>democratisation</li> <li>improved reform process</li> </ul>	<ul style="list-style-type: none"> <li>decentralised service delivery</li> <li>ownership</li> <li>capacity building</li> <li>policy dialogue</li> </ul>	<ul style="list-style-type: none"> <li>PAF review</li> <li>project reports</li> </ul>	<ul style="list-style-type: none"> <li>Kisoro district development</li> <li>SWTWS</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of the fiscal Decentralisation Strategy</li> <li>Successful restructuring of district administrations</li> <li>Implementation of capacity building programmes for enhanced financial and economic management at district level</li> </ul>	<ul style="list-style-type: none"> <li>Corruption prevails at district level</li> <li>No reform of transfer mechanisms</li> <li>Financial and economic management at district level remains weak</li> </ul>
Macro-economic growth and raising the incomes of the poor	Private Sector Development	<ul style="list-style-type: none"> <li>income generation</li> <li>financial system development</li> </ul>	<ul style="list-style-type: none"> <li>implementation of PSCS</li> <li>capacity building</li> <li>policy dialogue</li> </ul>	<ul style="list-style-type: none"> <li>project reports</li> <li>donor coordination group reports</li> </ul>	<ul style="list-style-type: none"> <li>Support of microfinance</li> <li>BDS</li> <li>Support of policy development</li> <li>Support of product development</li> <li>Donor PS-subgroup</li> </ul>	<ul style="list-style-type: none"> <li>Reform of MTCS continues</li> </ul>	<ul style="list-style-type: none"> <li>Enabling environment for private sector development deteriorates</li> </ul>
	Central reform processes	<ul style="list-style-type: none"> <li>GoU-donor partnership</li> <li>harmonized donor programmes</li> </ul>	<ul style="list-style-type: none"> <li>policy dialogue</li> <li>donor coordination</li> <li>GoU-donor interaction</li> <li>process participation</li> </ul>	<ul style="list-style-type: none"> <li>PEAP Steering Comm. reports</li> <li>Donor Coordination group reports</li> <li>Medium term bilateral agreement</li> </ul>	<ul style="list-style-type: none"> <li>PAF participation</li> <li>Participation in PEAP-process</li> <li>Support to macroeconomic reform</li> <li>Support to financial management reform process</li> <li>GoU-liaison</li> <li>IMF/WB-liaison</li> <li>EU-HoM-liaison</li> <li>Austrian participation in donor coordination groups</li> </ul>	<ul style="list-style-type: none"> <li>Partnership principles (PEAP 3) continue to be implemented</li> <li>Continued donor coordination at all levels</li> <li>Open policy dialogue</li> </ul>	<ul style="list-style-type: none"> <li>Negative political developments affect adversely partnership principles and policy dialogue</li> </ul>
	other sectors: <ul style="list-style-type: none"> <li>culture</li> </ul>	<ul style="list-style-type: none"> <li>intercultural exchange and understanding</li> <li>local cultural identity</li> </ul>	<ul style="list-style-type: none"> <li>sustainable cultural performance</li> </ul>	<ul style="list-style-type: none"> <li>development theatre network</li> <li>Ndere theatre</li> </ul>	<ul style="list-style-type: none"> <li>development theatre, Ndere</li> </ul>	<ul style="list-style-type: none"> <li>Sufficient management capability in development theatre groups</li> </ul>	<ul style="list-style-type: none"> <li>Management failures and corruption</li> </ul>

Annex 2 COUNTRY REPORT			Uganda			No.: 285 (LLDC)		
						Reporting Year: 1999		
ODA GRANTS / GRANT-LIKE TRANSACTIONS								
DDC Budget (Department for Development Cooperation)								
Promotor/Impl. Agency	Description	Project No.	Sector Code	Commitments ATS	Net Disbursements ATS	Women	Env.	TC
KFS	Technische Berufsausbildung in Soroti	1723-33/96	11120	0	402.490	Int		
ADC Austria	Förderung von Aus- und Fortbildungsmaßnahmen sowie von Wissenschaftskooperation	1756-00/95	11181	0	37.235			TC
VIDC Fonds	Entwicklungstheater Ndere Troupe (Phase II)	1512-00/97	11230	0	355.121			TC
VIDC Fonds	Entwicklungstheater Ndere Troupe (Phase III)	1512-00/99	11230	6.175.883	2.500.000	Int		TC
Ndere Foundation	Errichtung der Basisstrukturen eines Zentrums für Entwicklungs- und Bildungstheaters (Phase I)	1512-01/98	11230	9.988.384	4.500.150	Int	Int	
HOPE 87	Renovierung und Ausbau der Infrastruktur der St. Gertrude's Vocational Secondary School im Distrikt Kisoro	2037-00/99	11330	2.645.000	1.000.000	Int	Int	
ÖAD	Nord-Süd-Dialog-Stipendienprogramm Länderanteil Uganda nach Gesamtzahl d. Stipendienmonate (männl.)	0894-geo	11420	0	1.064.221			TC
ÖED	Förderung von Aus- und Fortbildungsmaßnahmen sowie der Wissenschaftskooperation	1756-00/98	11420	0	1.800.000	Int		TC
ÖED	Austrian Scholarship Fund - Österreichischer Stipendienfonds für Studenten aus Uganda	1760-00/99	11420	6.075.376	3.645.226	Int		TC
ÖAD	Fachausbildung für Angehörige von Schwerpunktregionen der österr. EZA und LLDCs; Länderanteil Uganda nach Gesamtzahl d. Stipendienmonate (weibl.)	0856-geo	11420	0	363.362			TC
ÖAD	Fachausbildung für Angehörige von Schwerpunktregionen der österr. EZA und LLDCs; Länderanteil Uganda nach Gesamtzahl d. Stipendienmonate (männl.)	0856-geo	11420	0	1.408.028			TC
ÖAD	Nord-Süd-Dialog-Stipendienprogramm Länderanteil Uganda nach Gesamtzahl d. Stipendienmonate (weibl.)	0894-geo	11420	0	412.266			TC
AAI Wien	Eine-veit-Stipendienprogramm. Länderanteil Uganda nach Gesamtzahl d. Stipendienmonate (weibl.)	1525-geo	11420	0	160.119	Int		TC

Promotor/Impl. Agency	Description	Project No.	Sector Code	Commitments ATS	Net Disbursements ATS	Women	Env.	TC
Inst. f. Pflanzenphysiologie	Ausbildung am Department of Botany der Makerere Universität Kampala	1669-00/94	11420	0	-31.091			TC
ÖAD	Reisekostenzuschüsse für Teilnehmer an Ausbildungs- und Informationsprogrammen: Länderanteil Uganda	0653-geo	11420	0	344.616			TC
WUS Austria	6. Postgraduierten-Lehrgang "Menschenrechte der Frau"	1440-00/99	11420	2.156.943	1.941.249	Spec		TC
AAI Wien	Eine-Welt-Stipendienprogramm: Länderanteil Uganda nach Gesamtzahl d. Stipendienmonate (männl.)	1525-geo	11420	0	40.030	Int		TC
ITM Krems	Ausbildung von Fremdenverkehrsinstruktoren aus Uganda	1056-00/97	11430	0	87.073			TC
Mobile Intensivmedizin	Ausbildungsprogramm zur Wartung und Reparatur von Anaesthesiegeräten	1598-00/97	12181	0	200.000			TC
MSF Swiss Section	Verbesserung der medizinischen Versorgung in Pokot County (Moroto)	2019-00/99	12191	995.641	500.075	Int		
ÖED	Pädiatrische Versorgung Kilembe Distrikt	1597-00/97	12191	0	134.541			
KFS	KFS-Rahmenprogramm 99: P-9726 - Rehabilitierung des St. Kizito Spitals in Matany	1855-geo6	12230	0	1.162.206		Int	
School of Public Health	Postgradualer Universitätskurs "Diplom Community Health" an der Universität Innsbruck (Anteil Uganda)	1054-00/99-HR2	12282	1.023.980	921.582	Int		TC
School of Public Health	Postgradualer Universitätskurs "Diplom Community Health"	1054-00/97-HR2	12282	0	54.948			TC
SETEC Engineering GmbH	Engpaßbehebung in der Wasserversorgung Kitgum (Phase II - Anschluß öffentlicher Institutionen)	1594-00/98	14020	0	2.000.000			
KFS	KFS-Rahmenprogramm 99: P-9833 - Wasserversorgung für Busuubizi	1855-geo17	14030	0	38.500			
ADC Austria	South western towns water & Sanitation Project; Planungsarbeiten für das neue Versorgungssystem (Ergänzungsfinanzierung zu 1709-02/96)	1709-02/97	14030	0	-2.000		Int	TC
Joanneum Graz	Lehrgang über Anwendung von Tracern im Grundwasser: Länderanteil Uganda nach Gesamtzahl d. Stipendienmonate (weibl.)	0398-geo	14081	0	132.644		Int	TC
ÖAW - Komm. f. Entw.fragen	Postgraduiertenlehrgang in Limnologie: Länderanteil Uganda nach Gesamtzahl der Stipendienmonate (weibl.)	0612-geo	14081	0	486.104		Spec	TC
ÖAW - Komm. f. Entw.fragen	Postgraduiertenlehrgang in Limnologie: Länderanteil Uganda nach Gesamtzahl der Stipendienmonate (männl.)	0612-geo	14081	0	795.443		Spec	TC

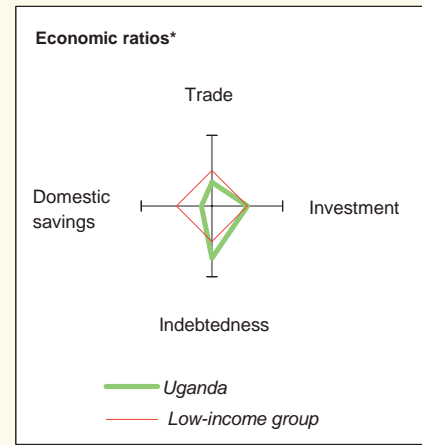
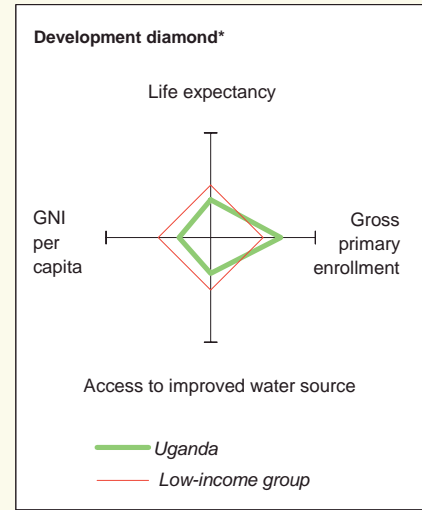
Promotor/Impl. Agency	Description	Project No.	Sector Code	Commitments		Net Disbursements	Women	Env.	TC
				ATS	ATS				
Supreme Court Uganda	Förderung der Rechtspflege durch Reproduktion von Gesetzestexten (Phase V)	1343-00/99	15030		1.420.671	1.278.679			TC
Nord-Süd-Institut	Frauenrelevante Rechtsaspekte und Rechtsbildungsprogramm für Frauen	1660-00/97	15030		0	-201.228	Spec		TC
Nord-Süd-Institut	Frauenrelevante Rechtsaspekte und Rechtsbildungsprogramm für Frauen	1660-00/96	15030		0	-18.995	Spec		TC
Uganda Ministry of Finance	Förderung der Rechtsreform in Uganda mit Schwerpunkt Wirtschafts- und Handelsrecht	1831-00/98	15030		0	2.118.514			TC
Nord-Süd-Institut	Capacity Building für Gemeinderätinnen	1989-00/98	15050		0	1.000.000	Spec		TC
EPU	Lehrgang "Peace and Development Studies" Länderanteil Uganda nach Gesamtzahl der Stipendienmonate (weibl.)	1218-geo	15061		0	98.989	Int		TC
EPU	Lehrgang "Peace and Development Studies" Länderanteil Uganda nach Gesamtzahl der Stipendienmonate (männl.)	1218-geo	15061		0	197.981	Int		TC
Uganda Human Rights Commission	Finanzierung von Publikationen der Uganda Human Rights Commission	1940-00/98	15063		0	75	Int		
Uganda Human Rights Commission	Finanzierung des Uganda Human Rights Commission Magazins "Your Rights"	1940-00/99	15063		2.279.088	1.051.662			
UNDP	Capacity Development for the Uganda Human Rights Commission	1940-01/99	15063		1.049.339	1.028.990			
ECOTEC GmbH	Verbesserung der Rahmenbedingungen des Finanzsektors	1830-00/99	24081		5.300.000	2.000.000			TC
ÖED	Bienenzucht Kisoro	1941-00/98	31163		0	300.000			TC
ÖED	Aufforstung und Bodenschutz Kasese	1740-00/97	31220		0	-50.753		Spec	TC
ÖED	Aufforstung und Bodenschutz Kasese (Phase 3)	1740-00/99	31220		1.466.955	1.000.000		Int	TC
CARE Österreich	Ländliches Gewerbeförderungsprogramm JENGA	1982-00/98	32130		0	3.000.000	Int		TC
ÖED	Förderprogramm für Tischlereibetriebe Kisoro	1942-00/98	32130		0	389.720			TC
ECOTEC GmbH	Beratung für Förderaktivitäten zugunsten von Mikro-, Klein- und Mittelbetrieben	1830-00/96	32130		0	-244.546			TC
Kolpingwerk	Handwerksförderung und Aufbau einer Handwerkerorganisation in Hoima	1094-00/92	32130		0	40.000			TC
Austroprojekt	Experteneinsatz für das Klein- und Kleinunternehmensförderungsprogramm	1652-00/94	32130		0	126.693			TC
ECOTEC GmbH	Technische Beratung und Ausbildung im Subsektor Lederverarbeitung	1392-01/97	32163		0	1.370.000			TC
UNIDO	Stahlwerk EASCO	1294-00/92	32169		0	-74.117			
Kabale Catholic Diocese	Renovierung des Gastenhauses "Traveler's Rest" Kisoro (Ergänzungsfinanzierung)	1816-00/99	33210		187.650	187.725			

Promotor/Impl. Agency	Description	Project No.	Sector Code	Commitments ATS	Net Disbursements ATS	Women	Env.	TC
Kabale Catholic Diocese	Renovierung des Gästehauses "Traveler's Rest Kisoro	1816-00/97	33210	0	281.325			
Kabale Catholic Diocese	Renovierung des Gästehauses "Traveler's Rest Kisoro (2. Ergänzungsfinanzierung)	1816-02/99	33210	413.440	413.440			
Szbg. Tourismusschulen	Lehrgang Hotel- und Tourismusmanagement: Länderanteil Uganda nach Gesamtzahl der Stipendienmonate (weibl.)	0245-geo	33210	0	343.075	Int		TC
Szbg. Tourismusschulen	Lehrgang Hotel- und Tourismusmanagement Länderanteil Uganda nach Gesamtzahl der Stipendienmonate (männl.)	0245-geo	33210	0	343.079	Int		TC
ITM Krens	Ausbildung von Fremdenverkehrsinstruktoren aus Uganda	1056-00/98	33210	0	279.322			TC
ADC Austria	Distriktentwicklungsprogramm Kisoro (Phase II)	1708-00/96	43040	0	2.980.000		Int	TC
Uganda Ministry of Finance	Beitrag zu einem Schuldenrückkaufprogramm mit Tansania	1854-00/98	60063	0	75			
GPR Consult GmbH	Osterreichisches Regionalbüro Kampala/ Techn Servicestelle	1937-03/98	91010	0	500.000			
GPR Consult GmbH	Osterreichisches Regionalbüro Kampala Koordinationsstelle der Bereiche Wasser und Regionalentwicklung	1937-07/98	91010	0	2.329.765			
ADC Austria	Regionalbüro Kampala	1189-00/95	91010	0	387.849			
ÖED	Entwicklungshelfereinsätze 1999, Länderanteil Uganda	0505-geo	99810	0	6.788.622	Int		
ÖED	Programm für Kurzzeitexperteneinsätze und Expertisen im Jahr 1999: Anteil Uganda	0812-geo	99810	0	179.398			
<b>Total DDC Budget:</b>				<b>41.178.350</b>	<b>55.879.476</b>			

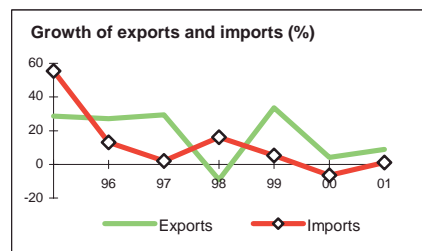
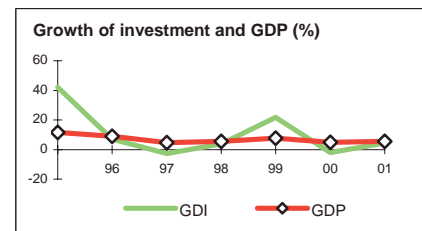
# Uganda at a glance

9/23/02

	Uganda	Sub-Saharan Africa	Low-income		
<b>POVERTY and SOCIAL</b>					
<b>2001</b>					
Population, mid-year (millions)	22.8	674	2,511		
GNI per capita (Atlas method, US\$)	260	470	430		
GNI (Atlas method, US\$ billions)	6.0	317	1,069		
<b>Average annual growth, 1995-01</b>					
Population (%)	2.9	2.5	1.9		
Labor force (%)	2.7	2.6	2.3		
<b>Most recent estimate (latest year available, 1995-01)</b>					
Poverty (% of population below national poverty line)	35	..	..		
Urban population (% of total population)	13	32	31		
Life expectancy at birth (years)	42	47	59		
Infant mortality (per 1,000 live births)	88	91	76		
Child malnutrition (% of children under 5)	38	..	..		
Access to an improved water source (% of population)	52	55	76		
Illiteracy (% of population age 15+)	38	37	37		
Gross primary enrollment (% of school-age population)	128	78	96		
Male	132	85	103		
Female	124	72	88		
<b>KEY ECONOMIC RATIOS and LONG-TERM TRENDS</b>					
	1981	1991	2000	2001	
GDP (US\$ billions)	..	3.3	5.9	5.7	
Gross domestic investment/GDP	..	15.2	19.9	20.4	
Exports of goods and services/GDP	..	7.5	11.1	11.1	
Gross domestic savings/GDP	..	0.7	6.7	5.9	
Gross national savings/GDP	..	1.4	11.7	12.7	
Current account balance/GDP	..	-13.5	-12.3	-14.5	
Interest payments/GDP	..	1.6	0.8	0.4	
Total debt/GDP	..	78.0	61.3	55.0	
Total debt service/exports	..	94.3	10.4	10.5	
Present value of debt/GDP	..	39.0	16.8	20.4	
Present value of debt/exports	..	641.1	142.1	171.4	
	1981-91	1991-01	2000	2001	2001-05
<i>(average annual growth)</i>					
GDP	4.5	7.1	5.0	5.6	6.5
GDP per capita	1.6	3.9	2.2	2.9	4.0
Exports of goods and services	1.6	17.3	4.1	9.0	7.5



	1981	1991	2000	2001
<b>STRUCTURE of the ECONOMY</b>				
<i>(% of GDP)</i>				
Agriculture	..	52.8	37.7	36.6
Industry	..	12.4	20.4	21.0
Manufacturing	..	5.8	9.8	9.9
Services	..	34.8	41.9	42.3
Private consumption	..	90.5	81.0	81.7
General government consumption	..	8.8	12.0	12.5
Imports of goods and services	..	21.9	24.0	25.7
	1981-91	1991-01	2000	2001
<i>(average annual growth)</i>				
Agriculture	3.5	3.9	5.6	4.6
Industry	7.0	12.0	3.1	6.5
Manufacturing	5.5	13.6	3.5	8.8
Services	4.5	7.8	6.5	7.2
Private consumption	4.2	6.5	3.9	4.5
General government consumption	2.2	6.0	5.0	12.3
Gross domestic investment	9.7	9.3	-2.1	4.4
Imports of goods and services	4.5	10.9	-6.6	1.1

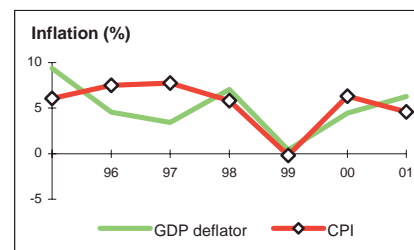


Note: 2001 data are preliminary estimates.

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

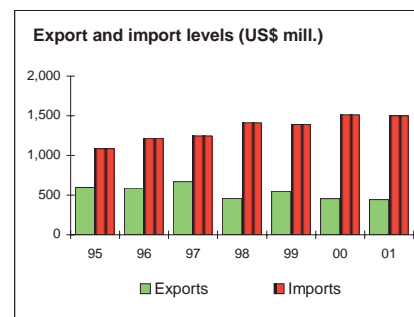
## PRICES and GOVERNMENT FINANCE

	1981	1991	2000	2001
<b>Domestic prices</b> (% change)				
Consumer prices	..	24.5	6.3	4.6
Implicit GDP deflator	..	26.0	4.4	6.3
<b>Government finance</b> (% of GDP, includes current grants)				
Current revenue	..	7.5	11.4	10.9
Current budget balance	..	0.0	0.4	-0.6
Overall surplus/deficit	..	-7.6	-12.9	-9.3



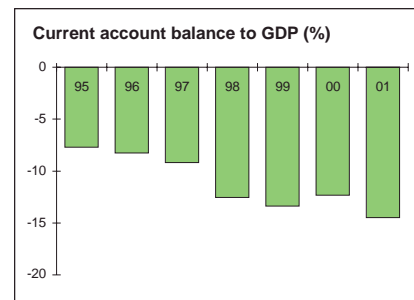
## TRADE

	1981	1991	2000	2001
<i>(US\$ millions)</i>				
Total exports (fob)	..	175	454	442
Coffee	..	127	187	110
Cotton	..	8	23	14
Manufactures	..	..	..	..
Total imports (cif)	..	545	1,513	1,501
Food	..	..	..	..
Fuel and energy	..	83	143	170
Capital goods	..	..	..	..
Export price index (1995=100)	..	56	58	51
Import price index (1995=100)	..	87	104	102
Terms of trade (1995=100)	..	64	56	50



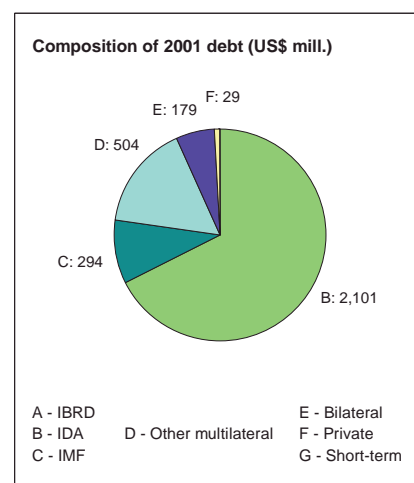
## BALANCE of PAYMENTS

	1981	1991	2000	2001
<i>(US\$ millions)</i>				
Exports of goods and services	..	199	651	630
Imports of goods and services	..	671	1,410	1,454
Resource balance	..	-472	-759	-825
Net income	..	-58	-60	-119
Net current transfers	..	81	95	124
Current account balance	..	-449	-724	-819
Financing items (net)	..	412	710	860
Changes in net reserves	..	37	15	-41
<b>Memo:</b>				
Reserves including gold (US\$ millions)	..	50	719	739
Conversion rate (DEC, local/US\$)	..	550.9	1,511.4	1,762.9



## EXTERNAL DEBT and RESOURCE FLOWS

	1981	1991	2000	2001
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	..	2,592	3,602	3,107
IBRD	0	18	0	0
IDA	119	957	2,098	2,101
Total debt service	..	191	68	71
IBRD	0	8	0	0
IDA	0	9	31	37
Composition of net resource flows				
Official grants	..	262	312	405
Official creditors	..	203	151	151
Private creditors	0	-18	2	11
Foreign direct investment	..	1	194	169
Portfolio equity	..	0	0	0
World Bank program				
Commitments	17	277	107	575
Disbursements	0	169	139	151
Principal repayments	0	7	16	22
Net flows	0	162	123	129
Interest payments	0	9	15	15
Net transfers	0	152	108	114



**ANNEX 4**

**UGANDA DEVELOPMENT COOPERATION STRUCTURE**

