■ UGANDA

Think globally, neglect the locals

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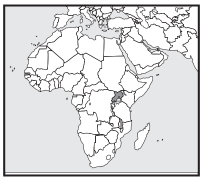


The Republic of Uganda has made remarkable progress in social development. Urgent attention is needed, however, to ensure that achievements so far are not undone by privatisation of social services, persisting high levels of corruption and government neglect of the informal sector.

Eradication of absolute poverty

Since 1997, the government's major development goal has been to reduce absolute poverty to less than 10% of the population by 2017 (with absolute poverty defined as living on less than one dollar/day).[1]

Poverty trends in Uganda

1992/93	1996/97	1998/99	2000/01
56%	46%	44%	35%

Source: Background to the Budget reports

The focus of the poverty alleviation strategy is shifting from the urban to the rural poor, where women form the core of socially marginalised. In 1997, the government launched the Poverty Eradication Action Plan (PEAP) and the Plan for the Modernisation of Agriculture (PMA). The PMA is a strategic framework for eradicating rural poverty through agricultural transformation, but it is unclear how it will overcome the impacts of globalisation on the rural poor.

Much of the funding for these efforts is being channelled to the districts and sub-districts, reflecting the government's laudable commitment to decentralisation. Most of the Poverty Action Fund (PAF) resources, which grew from 17% of the budget in 1997/98 to 30% in 2000/01, will be channelled to the districts.

The biggest hurdle in fighting rural poverty is corruption. According to the Auditor General's reports, an equivalent of almost 50% of the total budget for 2000/01 is being lost through corruption in government departments.[2] Transparency International in its 2000 report ranked Uganda among the 12 most corrupt countries in the world.

Although the fruits of macro-economic stability and growth reduced income poverty, overall, Uganda still ranks least among its neighbours in many non-income poverty indicators.

Privatisations: the most valuable enterprises in foreign hands

Two decades of Structural Adjustment Programs (SAPs) have undeniably transformed the economy. Over 100 of 137 public enterprises have been divested. Sixty-one per cent of these have gone to Ugandan nationals. Annual tax remittance by privatised enterprises has on average increased by 40% to 5,000% from the time they were privatised to 1999. Productive capacity in privatised enterprises grew from 11% in 1993 to 51% in 1998. The quality of employment in privatised companies has improved.

Overall, the proportion of Ugandans in absolute poverty declined substantially in the two decades of SAPs. Various studies done under the Structural Adjustment Participatory Review Initiative (SAPRI), however, reveal that SAPs have concentrated on macro-economic issues and growth and ignored the more consequential micro and social development issues.

While Ugandans bought more public companies, foreigners bought those with the highest value (75% compared with 16% for Ugandans). Corruption has diverted proceeds from the sale of public companies and the benefits of privatisation flow mainly to those who managed the process. People feel they have been robbed of resources created through taxpayers contributions.

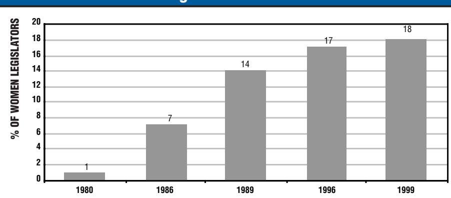
Unemployment has been aggravated by retrenchments, and strict controls on public expenditures have negatively affected social services. Social subsidies were cut by 48% from USD 123 million in 1995 to USD 63 million in 1998.[3] Liberalisation of agricultural production has led to deterioration in the terms of trade for agriculture, which employs up to 80% of the labour force.

Gender and social development

The government has registered some achievements in closing the gender gap. Notable critical gains are massive enrolment of girls in lower primary school and increase of women in key decision-making positions in local government and the legislature. In 1997, the government passed legislation requiring that two of four government-sponsored school children per family are girls.

To broaden participation in political process, the government provided for legislative representation on a quota basis for social groups including youth, people with disabilities and women. At least one-third of local council members must be women.

Women in National Legislature 1980-1999



Source: Women and Men in Uganda. Facts and Figures 2000.

1 Ministry of Finance Planning and Economic Development, Background to the Budget 2000/01. *Increasing efficiency in poverty reduction service delivery through output oriented budgeting*, Kampala, 2000.

2 Uganda Debt Network, Draft Report, Monitoring and Evaluation of Poverty Alleviation Fund, Kampala, 2000.

3 Ministry of Finance Planning and Economic Development, Background to the Budget 1999/2000: *The Challenges of Poverty Eradication and Private Sector Development*, Kampala, 1999.

The power balance is worse at the household level where men are still the decision-makers and have almost full control and ownership rights of wealth and property.

A model for successful liberalisation?

Globalisation is obviously great for the United States and not bad for the rest of the industrialised world. But for poor countries like Uganda, who have had no role in shaping the evolution of the global system, the effects continue to be devastating.

The informal sector, which acted as a catalyst of indigenous industrialisation in East Asia, receives only peripheral consideration in the government planning process. The government has failed to think globally and act locally in developing an indigenous technical knowledge base. A better characterisation may be thinking globally and neglecting the locals.

The informal sector, which in Uganda doubles as the indigenous industrial sector, plays a vital role in developing domestic skilled labour and creating employment for semi-skilled labour, therefore laying a foundation for better and regionally competitive products. The informal sector also provides the vast majority of jobs.

Uganda has a EAP of 8 million with 340,000 new job seekers a year. Foreign and joint venture firms planned to hire an average of only about 6,000 people a year for the last three years.[4] Hence neglect of the informal sector contributes to very high unemployment rates. While the national percentage of those who are poor fell from 56% in 1992 to 44% in 1997, poverty among those who were under-employed or unemployed grew from 60% to 62%.[5]

Poor benefit from HIPC

Uganda, which had a foreign debt of USD 3.068 billion before the Highly Indebted Poor Countries (HIPC) debt-reduction initiative, was the first country to reach agreement with multilateral creditors under this initiative. Roughly half of the total Poverty Action Fund budget of USD 256 million in 2000/02 is financed through HIPC and other debt savings.[6]

Despite the relief, debt servicing still acts as a brake on socio-economic development. That annual benefit from the HIPC Initiative does not even cover one-quarter of the cost of providing universal primary education. The Jubilee 2000 Uganda campaign denounced the HIPC Initiative and demanded across-the-board debt cancellation.

Primary education

The government has set a target for primary education of 100% enrolment by 2003, including full enrolment of girls and those currently disadvantaged by geographical location. This is an ambitious but attainable goal given the achievements so far. By 1999, 85% of school-age children were at school.[7]

The biggest challenges facing provision of basic education are corruption, pupil retention and ensuring that quality is maintained and improved while the system expands. High dropout rates are attributed to cost-sharing, or payment of indirect fees, by families of school-going children. In 1997, 25% of Ugandans could not feed themselves, and in 1998, 9 million Ugandans could not afford basic needs.[8] Cost-sharing under such conditions blocks many poor families from sending their children to school.

To die by lack of services

The government adopted its first ever Health Sector Strategic Plan in 2000 with a budget of USD 956 million. The plan shifts resources to the majority poor, many of whom die of preventable diseases because of inadequate services. Allocations to the health sector increased by 640% from 1997 to 1999.

The government deserves credit for its approach to the HIV/AIDS pandemic. A recent survey in antenatal clinics in Kampala showed the percentage of HIV carriers dropped from 26% of pregnant mothers in 1992 to 9% in 2000. Overall, the prevalence of HIV/AIDS in the adult population fell from 30% in 1986 to 8% in 1999.[9] The number of HIV carriers, currently 1.9 million, is expected to drop another 25% by 2006.

Funding for HIV/AIDS has targeted sexually transmitted diseases and neglected broader poverty issues. The result has been containment of the disease in urban areas and rising AIDS incidences in rural areas. The new National Strategy Framework for HIV/AIDS is focused on eradication of poverty.

Overall, 56% of rural people lack access to health services as compared with 5% in urban areas. In the Northern region, the figure is 72% and health service utilisation rates by women and children are on a decline.[10] As with education, cost-sharing, introduced under structural adjustment, is a major barrier to accessing health services. Many Ugandans say health costs are the number one cause of their poverty. Cost-sharing is responsible, among other things, for more deaths from preventable diseases (especially malaria), prolonged health complications, and confiscation of property for non-payment of medically-incurred debts.

Conclusion

Social development is a national policy priority and many positive steps have been taken at the policy level. Beyond the policy level, however, implementation processes are still elitist and bedeviled with corruption. Benefits to the poorest Ugandans are restricted, and in some areas social development indicators are worsening.

To meet its social development obligations, the government will have to stem corruption, halt the privatisation of social services, and strengthen the institutions responsible for privatisation to ensure that investments benefit the local economy. Of particular focus here should be the development of the major employer - the informal sector. ■

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4 Uganda Investment Authority Report, 2001.

5 See above, footnote 3.

6 See above, footnote 1.

7 Ministry of Finance Planning and Economic Development, Uganda Poverty Status Report (1999), *The challenges of implementing the poverty eradication action plan.* Kampala, 2000.

8 See above, footnote 1.

9 Museveni Election Manifesto, 2001.

10 See above, footnote 1.