POVERTY REDUCTION SUPPORT CREDIT (PRSC): UGANDA

I. Abstract

The Poverty Reduction Support Credit (PRSC) is the World Bank’s quick-disbursing lending instrument for supporting the poverty reduction efforts of an eligible borrower country. Two annual PRSCs were approved for the Government of Uganda (GOU) in 2001 and 2002. The PRSCs are expected to serve the country’s strategy of reducing poverty and improving public service delivery by addressing public sector issues and initiating institutional and policy reform measures.

As part of the reform measures, efforts were undertaken to induce transparency and reduce corruption in government proceedings. Public access to government information was improved and social and internal accountability mechanisms were put in place. Simplified versions of the budget and budget performance reports were published for citizen access, public notices on fiscal transfers were posted at service delivery points, and key policy issues were disseminated through the media. Public service delivery was monitored through performance and expenditure tracking surveys. A few policies on citizen participatory mechanisms were also approved.

Although progress has been noted in many areas, sectoral reforms may take a long time to materialize and will require a coordinated effort across ministries and departments. An immediate challenge for Uganda is to reduce the population growth rate as it poses a serious threat to poverty-reduction and economic development efforts.

II. Background

The civil war in Uganda between 1971 and 1985 had serious repercussions on the country’s economy. The prolonged conflict resulted in massive capital flight, emigration of the skilled workforce, and a breakdown of institutions. Despite the GOU’s success in rebuilding the economy after 1985, in 2000, more than 35 percent of Uganda’s population still lived in abject poverty (World Bank 1999–2000). Social and human development indicators reflected a negative picture. Corruption was rampant, monitoring mechanisms were weak, the legal framework in major sectors was outdated, and basic public services critical to development—such as education, health care, rural roads, and water and sanitation—were inadequate and poor in quality. The need to institute reforms and initiate sound macroeconomic policies to address governance problems and poor public service delivery was felt.

The GOU responded to these challenges by preparing a medium-term development strategy—the Poverty Eradication Action Plan (PEAP) for 1995–1997. The plan served as a national planning framework to guide detailed medium-term sector plans, district plans, and the budget reform process. In 1999, the World Bank and the

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2 The World Bank introduced PRSC to support countries that are eligible for International Development Association (IDA) loans to implement their poverty reduction strategies. The eligibility of the country depends on the Bank’s assessment of the country’s capacity and commitment to implementing this strategy.
International Monetary Fund (IMF) conceptualized the Poverty Reduction Strategy Paper (PRSP) initiative.² Any country intending to receive debt relief aid under the HIPC (Heavily Indebted Poor Countries) program had to draft a PRSP outlining its plans to utilize the funds to eradicate poverty.³ Uganda’s formulation of PRSP coincided with the GOU’s revision of PEAP. The summary of the revised PEAP was used as a basis for preparing the PRSP, which was presented to the World Bank and the IMF in May 2000.

The implementation of the PEAP/PRSP was supported by a series of programmatic structural adjustment credits—the Poverty Reduction Support Credit (PRSC) that served as the primary lending instrument of the World Bank. Release of the credit depended on up-front completion of prior actions and a satisfactory level of progress against the agreed social and structural benchmarks. Each subsequent PRSC was to build on the previous ones, cover the PEAP/PRSP annual cycle, and synchronize with GOU’s budget cycle. PRSC 1 was approved in May 2001, followed by the approval of PRSC 2 in July 2002; each credit was equivalent to US$150 million.

The GOU’s strategy for economic transformation and poverty eradication, as highlighted in the PRSP, was based on the following four pillars:

- A framework for economic growth and structural transformation
- Ensuring good governance and security
- Directly increasing the ability of the poor to increase their income through rural development and expansion of non-farm economic activities
- Directly increasing the quality of the life of the poor through provision of primary education, health care, and water and sanitation services.

In line with these pillars, the series of PRSCs were to support reform measures in various areas. Cross-cutting public-sector issues that affected all basic services were proposed for support under each PRSC. Such issues included pay policies, public service management, public procurement, financial management, monitoring and evaluation, and the effects of corruption on the implementation of public expenditure programs. Specific reform measures undertaken by PRSC 1 and to be addressed by PRSC II are highlighted in box 1 below.⁴

The PRSC Steering Committee, chaired by the Head of Public Service, supervised the implementation of reforms and made strategic decisions. A PRSC technical committee coordinated the work at a technical level across the ministries.

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² In an effort to enhance the Heavily Indebted Poor Countries initiative (1996)—a scheme providing debt relief to countries under an unsustainable debt burden—the World Bank and the IMF introduced the Poverty Reduction Strategy Paper (PRSP) initiative as the basis upon which poor countries would receive increased debt relief.
³ The PEAP is revised every three years with annual progress reports.
⁴ The results of PRSC 2 have not been completely documented.
Box 1: The Objectives of Uganda’s PRSCs

**PRSC 1**

1. Ensure efficient and equitable use of public resources by undertaking reforms to strengthen public expenditure, streamline intergovernmental transfers, and incorporate output and/or outcome measures into sector expenditure programs.

2. Improve payroll management at the central and district levels, enhancing the effectiveness of pay policies and human resource management and public procurement systems, ensuring sound practices under financial management, increasing transparency and participation in civil society.

3. Take measures to reduce the pupil-teacher ratio, the pupil-text book ratio, and the pupil-classroom ratio. Provide health-care financing and health infrastructure, improve procurement capacity of health centers and provision of health infrastructure. Take steps to improve access to water and sanitation facilities in rural and urban areas.

**PRSC 2**

1. Support and strengthen the measures undertaken by PRSC I to achieve macroeconomic stability, ensure good governance and security, and improve public service delivery.

2. Promote an enabling environment for rural development, implementing the government’s Plan for Modernization of Agriculture (PMA). This included steps taken to:
   - Facilitate research and technology
   - Increase access and quality of agricultural advisory services
   - Improve access to rural finance
   - Reduce constraints to agro-processing and marketing
   - Promote access to land by women and orphans
   - Integrate environmental sustainability concerns into government programs
   - Improve the network of district roads.

III. Impact/Results

Some of the key improvements under the four pillars of the PRSC reform program were as follows.

**Pillar 1: Framework for Economic Growth and Transformation**

1. **Allocations and actual expenditure**

The GOU has executed the first two quarters of the 2000–01 budget commensurate with the priorities and allocations set under PEAP. Also in 2000–01, the deviations between sector budgets and out-turns were smaller than in the previous years.

GOU attempted to streamline public expenditure by making the budget more comprehensive. The expenditure ceiling for donor projects in the Medium Term Expenditure Framework (MTEF) for education, health, and water and sanitation was integrated into the budget, and there are plans to extend the practice to other sectors over time. In addition, the budget has been made more poverty-focused. The share of

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3 The MTEF is an annual, rolling three-year expenditure planning process, setting out the medium-term expenditure priorities and hard budget constraints against which sector plans can be developed and refined. In the context of the sectors listed above, sector-working groups are given envelopes for externally financed projects and asked to identify development priorities over the MTEF period within these ceilings.
the Poverty Action Fund (PAF) that targets funds within the MTEF for poverty-related activities, as a part of total public spending, has risen rapidly, from 18 percent in 1997–98 to 35 percent in the 2001–02 budget.

2. 

**Results-orientation**

A result-oriented management (ROM) process—a process that outlines output targets and indicators to review performance—has been introduced by such sectors such as Justice, Law and Order, roads, education, water and sanitation, and health. Ten central ministries and a number of districts produced the Annual Performance Plan facilitated by the ROM process in 2001.

**Pillar 2: Ensuring Good Governance and Security**

1. **Public service management and pay**

The government payroll system and personnel management system have improved. The average lead-time to access the government payroll for schoolteachers has been reduced from six to seven months to one month. Efforts are in progress to strengthen internal payroll controls so that only bona-fide employees are on the payroll.

2. **Public procurement**

In March 2002, GOU tabled the new procurement bill and issued new procurement regulations for ministries, departments, and agencies at all levels of the government. Procurement units have been established in 80 ministries, departments, and agencies. The existing Central Tender Board (CTB) has been transformed into an autonomous regulatory institution, called the Reformed Central Tender Board (RCTB), to oversee the procurement process in the newly established units.

3. **Financial management**

A new Public Finance Bill was drafted in March 2002 to replace the outdated Public Finance Act of 1964. The capacity of the Office of Auditor General (OAG) was enhanced, as a result of which the audit backlog of previous years was cleared. The nonreconciled balances in government bank accounts were rectified.

4. **Monitoring and evaluation**

Under the PRSC 2, the cabinet approved the national poverty monitoring and evaluation (M&E) strategy, including an action plan and agreement on M&E coordination arrangements. Government has initiated reviews of M&E in education, health, water and sanitation, and agriculture to identify ways to strengthen and streamline existing arrangements.

5. **Anti-corruption measures**

Under PRSC 1, GOU passed two anti-corruption bills, the Inspectorate General of Government (IGG) Bill and the Leadership Code Bill. While the IGG Bill granted additional powers to the Inspectorate of Government to fight corruption, the Leadership Code Bill ensured public access to leader asset declaration. To this effect,
all Permanent Secretaries, Directors, Uganda Revenue Authority Officials, 95 percent of ministries, and 77 percent of Presidential Advisors submitted their statements of income, assets, and liabilities. Before the passing of the bill, only 25 percent of all leaders had declared their assets as required. In addition, the Official Secrets Act, an act that restricts public access to government information, was reviewed in March 2001. It is expected that the act will be replaced by the Access to Government Information Bill by 2004.

6. Judicial reform

In November 2001, the GOU launched the Medium-Term Strategic Investment Plan to support criminal and commercial justice reform. This has led to the establishment of a Commercial Court, the Case Backlog Reduction Program, the Center for Alternative Dispute Resolution, the strengthening of land and companies registries, and revision of commercial laws.

Pillar 3: Directly Increasing the Ability of the Poor to Raise Their Incomes

1. Rural development

Four Agricultural Research Development Centers (ARDCs) were established in 2001. The micro-finance Institutions Bill has been tabled in Parliament and is expected to expand the availability of micro-finance to poor clients by granting license to NGO micro-finance institutions. A 10-year district road development program has been developed to improve the network of roads in rural areas. The National Agricultural Advisory Services (NAADS), which enables farmers to take advice from agricultural professionals on issues related to farming practices, was developed and launched in at least 10 sub-districts.

Pillar 4: Directly Increasing the Quality of Life of the Poor

1. Education

PRSC supported the implementation the Universal Primary Education (UPE) initiative that began in 1997. The pupil-teacher ratio decreased from 63:1 in 2000–01 to 54:1 in 2001–02, and the pupil-classroom ratio from 121:1 in 2000–01 to 98:1 in 2001–02. Under PRSC 1, the government launched a national campaign to recruit 35,000 teachers at the primary level by 2003. Around 15,000 new teachers had been recruited by April 2001.

2. Water supply and sanitation sector

In the rural sector, more than 3,000 water points were delivered. This increased the rural water coverage from 49.6 percent in 1999–00 to 52.2 percent in 2000–01. In urban areas, 6,300 connections were provided, of which 1,800 served poor households. In addition, 1,205 new public, school, and institutional sanitation systems were developed and installed.

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*The objective of UPE is to provide free primary education throughout the country and reach the poorest groups by providing the necessary infrastructure, teachers, and instructional materials. From a reported 3.1 million children in school in 1996, numbers have increased to 6.1 million children in 2000, with a gross enrollment rate estimated at 133 percent.*
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were provided. Between April and December 2001, a total of about 5,500 new customers were connected by the National Water and Sewerage Corporation (NWSC).

3. Health sector

The health budget of GOU increased from 7.3 percent in 2000–01 to 9.0 percent in 2001–02. GOU also developed a National Health Policy (NHP) and Health Sector Strategic Plan (HSSP, August 2000) that outlined the vision and strategy for improving health services. Improvements were noted in immunization coverage, and TB cure rates; also contraceptive prevalence rates were increasing, and there was a decline in HIV infection rates.

Draft policies were developed for the following a Public-Private Partnership and a draft Health Financing Strategy; in addition, a National Pharmaceutical Sector Strategic Plan, National Infrastructure Development and Maintenance Plan, and a Procurement Plan were developed.

IV. Key Elements of Empowerment

Information

In March 2001, the Ministry of Finance, Planning, and Economic Development (MFPED) produced two simplified versions of the Citizens Guide to Budget and Citizens Guide to Budget Process. Published in seven local languages, the guides can be easily read and understood by an average citizen. Since October 2001, the MFPED has organized a monthly press conference to update the public on important policy issues in Uganda.

Some additional steps undertaken by the government to improve public access to information were as follows:

- Initiating steps to develop a strategy for national hygiene promotion, sanitation, and communication, in order to improve water and sanitation coverage
- Posting of public notices of conditional and other grants at service delivery points such as schools and health centers
- Publishing of Budget Performance Reports
- Increasing the availability of public information on intergovernmental fiscal transfers at local levels.

Inclusion/Participation

The GOU collaborated with NGOs to develop a NGO policy and code of conduct. It is anticipated that a better operational environment will be created for Government-NGO partnerships, characterized by harmonization of participatory approaches and self-monitoring by NGOs. GOU also plans to work with NGOs and civil society at large to establish channels of feedback to monitor service delivery at the local levels.
The GOU prepared the guide *Harmonized Participatory Development Planning and Management for Lower Councils* in consultation with districts and civil society groups. The guide is expected to lead to more effective participatory community development as services respond to user preferences.

The Justice, Law, and Order sector developed a draft Civil Society Partnership Strategy by coordinating with NGOs and civil society organizations engaged in delivery of legal services. The partnership will focus on developing human rights and civic education programs and a national legal aid service for the poor.

District water and sanitation teams were formed in rural areas to manage the WSS systems. Community participation was facilitated through water and sanitation committees or water-user associations. Capacity building and technical advice to district teams were provided through technical support units

**Accountability**

1. **Vertical accountability**

Some of the vertical accountability mechanisms employed under PRSC I and II and proposed to be employed over the series of PRSC can be described as follows:

- Setting of qualitative and/or quantitative benchmarks for all reform areas, i.e., integration of Result Oriented Management to monitor service delivery
- Publishing budget performance reports and semi-annual interim financial statements
- Development of a computerized database to improve availability of data on NGOs and their functioning
- Harmonizing NGO policy and a code of conduct for using participatory approaches
- Streamlining of inter-governmental fiscal transfers
- Tabling of IGG Act 2001 to enhance the powers of the Inspectorate of Government to fight corruption
- Development and implementation of government pay and procurement reform strategies
- Conducting of annual surveys to monitor poverty and sector-level outcomes, namely, household, service delivery, and integrity surveys.

2. **Horizontal accountability**

To improve horizontal accountability, the PRSC supports the following actions:

- Improve accounting and auditing systems at the central and district levels of government
- Improve the flow of funds to frontline service delivery
- Coordinate financial management reform and update the legal-institutional framework
- Increase collaboration among judicial and law enforcement agencies.
V. Issues and Lessons

Critical Issues

Despite the efforts taken by the GOU to improve access to health services, the health status of the Ugandan population continues to be poor. The Demographic Survey (HDS) 2000–2001 indicated high infant and maternal mortality rates. An increase in contraceptive prevalence has not abated the fertility rates. As a result, population growth remains high, as much as 2.5 percent per annum, posing a potential threat to poverty reduction efforts. In addition, almost 51 percent of the population lives more than 5 kilometers away from a health facility that provides basic curative and preventive services. Most of the facilities remain understaffed due to a shortage of trained health workers, meager salaries, a lack of financial management, and the absence of well-coordinated procurement and support systems. Furthermore, the health facilities often run out of drugs and supplies, thus creating a negative public image. According to NSDS 2000, only 56 percent of households are satisfied with the quality of health services.

Reducing absenteeism and dropout rates in primary schools remains an important issue to be tackled as a part of the education sector reforms. Some of the reasons cited for increased absenteeism at the primary level were poor health (64 percent), inability to pay extra school charges (52 percent), and lack of school uniforms (42 percent). In addition, lacking and improper hygienic facilities also resulted in absenteeism and dropouts, especially among girl students.

Although efforts are underway to publicize and disseminate information of policy issues and budget processes by sectors and ministries, these efforts are mostly uncoordinated, resulting in duplication and low level of efficiency in message delivery. It was suggested that the MFPED coordinate the actions of all departments. However, no further steps have been taken in this direction.

The number of students enrolling for post-primary education is expected to rise after 2003, when the first batch of the UPE (Universal Primary Education) graduates. The GOU needs to provide a coherent and strategic framework to support post-primary education. Other issues, such as equity in access to education, ensuring quality in education, and so forth, also need to be tackled on a high-priority basis.

Service delivery in rural WSS was characterized by weak planning and poor construction supervision at the district level. Many water points were reported to be defective.

Key Lessons

Some of the key lessons learned are highlighted below:

- Expansion of the economic base and strengthening of the institutional infrastructure to sustain maintenance and growth in service delivery is a slow and drawn-out process. A coordinated effort across constituencies, ministries,

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and departments is a prerequisite for the long-term viability and sustainability of this endeavor.

- Regular performance reviews are essential to track implementation and identify key issues under the reform process.
- Development of output indicators in key reform sectors will help to enforce accountability in the proceedings. Further steps need to be taken to deepen the linkage between budget and performance management of individual departments and ministries.
- Restricting population growth will be critical, as high population levels may nullify the poverty reduction efforts. Efforts should be taken to strengthen public awareness on contraceptive use, child spacing, and family size planning.

Outlook

The GOU plans to provide ongoing support to the poverty eradication measures highlighted in the PEAP, through annual PRSCs. PRSC 3 and PRSC 4 will be approved in 2003 and 2004, depending on the attainment of performance benchmarks and targets.

VI. Further Information: References and World Wide Web Resources


———. *Uganda—Poverty Reduction Support Credit.* Project Information Document. URL: 

———. *Uganda—Second Poverty Reduction Support Credit.* Project Information Document. URL: 

———. *Uganda—Third Poverty Reduction Support Credit.* Project Information Document. URL: 