Board Meeting of May 20, 1997
Statement by Juan L. Cariaga

UGANDA: Country Assistance Strategy

We very much welcome and are pleased to support this CAS for Uganda. Following the decision taken by the Board to approve the HIPC initiative for the country, it has now become necessary to define a strategy to provide the financial assistance which will ensure rapid growth and substantial poverty reduction. As you are undoubtedly aware, unlike in previous instances regarding Uganda, this CAS was, for the first time, widely discussed in the country not only with the authorities, but also with donors, the private sector and other stakeholders. We find this commendable.

Overall, we are in broad agreement with the content of this well-written and very informative document. Let me, however, emphasize some points.

1. We recognize the efforts made by the Ugandan authorities in their commitment to economic growth. Progress achieved to date on adjustment and reform is remarkable. While the country is a strong performer in Sub-Saharan Africa, it is nevertheless a very poor country. Enhancement of the Bank's support therefore seems justified. This makes more sense if we consider that the results have been somewhat disappointing in the area of human development. Indeed, the recent economic success has not significantly affected the social arena. The sustainability of the reform process relies on the success of the social programs. The Bank's support should therefore be focused on poverty reduction. In this regard, we are encouraged because the Government's Poverty Eradication Action Plan will provide the basic framework for our assistance program.

2. The recent economic progress, notwithstanding further structural reforms are needed in the areas of trade policy, the financial sector and in public utilities. Since we expect broad discussion on these issues on the occasion of the proposed III SAC, we will not further elaborate on them.

3. The CAS has observed that GDP growth in Uganda is projected at 7% in real terms during the period FY97-FY99 and at 5% thereafter. These are fairly respectable levels of growth. However, if the country is to make a substantial impact in its efforts to eradicate poverty, a much higher average level of growth, sustained over a long period, would need to be realized. This being said, we support the adoption of the higher case scenario discussed in the CAS. We believe this would assist the country in realizing a much higher level of growth and result not only in the reduction of poverty but also in enhanced levels of private sector activities. Only in this way, would Uganda be able to...
recover its full GDP per capita. As noted by the staff, the current GDP per capita is only 78% of its 1970 level.

4. In the area of human development, the main goal should be to raise education, health, and nutrition standards.

a) In the education sector, the government’s objective of universal primary education is noteworthy. However, much still remains to be done. In order to improve access at a fast pace, coverage needs to be expanded and the quality of basic education needs to be enhanced. This is an urgent task, considering that the standard of the education received by the poor is very low. In this regard, the search for a way to lower the current costs of primary and secondary education seems urgent as does increased efficiency in managing public expenditure.

b) On the matter of public health, improvement in the current system and a better level of spending are also needed to enhance this sector. Uganda should strengthen physical and economic infrastructure to support economic growth and also strengthen social infrastructure and human resource development in order to increase income earning prospects for the poor. These are key tasks. As 92% of the poor live in rural areas, the revitalization of rural development is another important issue that deserves careful attention. However, we are concerned because one of its main elements, namely food security, has not been sufficiently addressed in the document.

5. As for the lending program, we support the proposal to prepare four operations each year in the total amount of US$ 250 million on average. This is consistent with the higher case scenario mentioned above. Also, we are in agreement with the appropriateness of the balance of lending and non-lending instruments in the CAS.

6. As regards the IFC and MIGA assistance, there is no doubt that their portfolio will complement IDA support to the country. Their participation will allow for an increase in private activity in the economy. However, in our view, private sector development also requires that the Government make its best efforts at good management and that it work toward providing a safer political environment.

7. Regarding the improved implementation of the existing portfolio, we welcome the government’s recent adoption of an action plan to address “a number of problematic implementation areas”. Nonetheless, more effective supervision is needed, considering that presently 7 of the country’s 20 projects have been categorized as problematic. To this end, we support the strengthening of the Bank’s resident mission in Kampala as it could play an increasing role in successful portfolio management.

8. One of the main tasks at hand is to ensure that the Bank’s assistance is used effectively and that it provides the maximum benefit to the poor. To mitigate against the risks envisaged by the staff, we must be able to increase Bank support to capacity building at all levels. To achieve this, the authorities need to prepare a full policy package in collaboration with the Bank and the Fund and also to make substantial improvement in managing of their economy and delivering services to the population. Simultaneously, the Bank and other creditors need avoid further aggravate of Uganda’s external debt situation by accelerating the pace of implementation of the HIPC Initiative through debt relief or disbursement of new funds.