Board Meeting of May 20, 1997
Statement by Jan Piercy

UGANDA - Country Assistance Strategy

1. I applaud the significant progress that Uganda has made in restructuring its economy since the inception of the adjustment effort in 1987. Controls have been removed, the exchange and trade system liberalized, and the performance of the fiscal, external, and monetary sectors substantially improved. Macroeconomic stability has largely been achieved, and major progress made, in creating a liberal market-oriented environment to encourage private sector production and investment.

2. Despite the success achieved so far and the relatively high levels of growth, Uganda is still among the poorest countries in the world with per capita income of USD220. In that regard, I am pleased that Uganda will benefit from debt relief under the HIPC Initiative. I am also pleased that the Government’s development strategy - the Poverty Eradication Action Plan (PEAP) - is designed to sustain growth and spread the benefits of growth more widely and that the PEAP provides the framework for Bank support. The CAS is clearly in conformity with the PEAP with its focus on poverty reduction through rapid economic growth, vastly improved social services, and regionally targeted public investment in the north. The goal of ensuring sustained commitment to essential reforms is fundamental to the HIPC Initiative. The Government’s commitment to improving social services is commendable and I hope that meaningful social development indicators can be developed to monitor progress in this critical area. To provide maximum benefit to the poor, I agree with the balance between analytic work to improve the quality of assistance, improved management of the portfolio, and poverty-focused lending.

3. As noted in paragraph 6, there is an urgent need to establish a system of effective poverty monitoring, including community and household level surveys, to ensure that public services are actually reaching the poor. It therefore seems appropriate to increase the ESW program over the next three years, with particular attention to gender, the impact of reform policies, private investment, rural development/finance, capacity-building, education and preparation of district level PEAPs. I believe this work program is appropriate and critical to advancing the development agenda in Uganda. The emphasis on gender in the work program, particularly with regard to legal constraints to economic empowerment of women, is entirely appropriate.
4. One important element of the PEAP targets good governance, which should allow free articulation of economic and political views and in turn enhance public involvement and accountability in policy formulation and implementation as well as resource mobilization and allocations. In this regard, I was pleased to see that EDI and the Africa region are cooperating on a major effort on good governance which will be expanded over the next three years. Could staff please elaborate on this effort and explain how it fits with the PEAP?

5. Regarding Uganda's economic outlook, the base case scenario assumes that the reform program remains on track, Uganda continues to benefit from aid, the security situation remains under control, weather and other external factors are not destabilizing, and that there are large public savings in the banking system. While I appreciate Uganda's outstanding economic performance, the assumptions for the base case scenario are ambitious given that Uganda may be subject to external factors beyond the control of the Government. Could staff explain why a low case scenario was not included in this CAS?

6. A trigger for the higher case lending scenario is demonstrated capacity for timely implementation of the existing investment portfolio. The CAS notes that there have been institutional capacity constraints to implementing a large portfolio and that the number of projects under implementation has decreased from 31 in FY94 to 26 in FY96. Increasing operations by four per year under the proposed high lending scenario could put additional stress on the capacity to manage the existing portfolio. The strong emphasis in the CAS on improving portfolio management is thus well placed. I encourage the Bank to move forward aggressively with the portfolio improvement strategy for IDA's future lending program.

7. I commend Bank staff on steps already taken to improve management of the existing portfolio. For example, our USAID field staff have witnessed improvements in the implementation of the education portfolio. Procurement bottlenecks are being overcome through a system of decentralized and school-based purchasing. Every three weeks both USAID and the Bank meet with senior Ministry of Education officials in a formal management committee geared toward implementation of all education reform activities.

8. Unfortunately, improvements in portfolio management do not appear to apply uniformly across sectors. Project implementation and management in the health sector appears to be problematic. Disbursements for health projects has been low. Extremely long delays in the procurement of drugs, laboratory equipment and condoms have become the norm. Could staff please comment on steps that are being taken to improve implementation and management in the health sector?

9. Capacity building is a key area of the proposed lending program. Uganda has been a key participant in the Africa Capacity Building Initiative. What role will this Initiative play in helping Uganda achieve the development objectives set out in the Country Assistance Strategy Matrix?

10. Uganda's demobilization effort in the early 1990s was highly successful. The ratio of social to defense spending improved significantly with demobilization in 1992-93. Could staff please provide an update on trends in this area?
11. I am curious about the lack of attention in the CAS to HIV/AIDS. As much as 10% of the total population of Uganda may be HIV-infected, with most cases among adults in the prime of their economic lives and those about to enter this age group. It seems to me that the impact of AIDS on development should be factored into any poverty reduction strategy for Uganda, yet it appears that AIDS is not included in the ESW work program and is not explicitly mentioned as part of the proposed lending program. While the Country Assistance Strategy Matrix recognizes AIDS as a serious problem, it does not include a performance indicator or benchmark related to HIV/AIDS. Could staff explain why AIDS does not figure more prominently as a development issue in this CAS?

12. The CAS states that although little research is available, there seems to be a strong link between poverty and environmental degradation. Given the severity of Uganda's environmental problems, is the Bank considering any future non-lending or lending environmental activities beyond the Protected Area Management and Sustainable Use project and GEF projects?

13. The increasing role of IFC and MIGA in support of private sector development in Uganda and the complementarity between these efforts and IDA's on-going support to private sector competitiveness, privatization, and public enterprise development is notable. IFC's new field presence in Uganda is a welcome development and should assist greatly in the timely identification and processing of smaller projects.

14. The consultative process used in the development of the CAS is to be commended. I was extremely interested in the civil society and private sector consultations in attachments 5 and 6. In reading the CAS, the extent of involvement of other donors in CAS consultations was unclear. I would appreciate staff comment on donor consultations.