New Strategies, Old Loan Conditions

Do the New IMF and World Bank Loans
Support Countries' Poverty Reduction Strategies

The Case of Uganda

By

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Preface and Context

This investigation into the coherency of World Bank and International Monetary Fund lending policies with anti-poverty goals of the Ugandan Government is released within a vibrant debate on the effectiveness of aid assistance. Released for the World Bank and International Monetary Fund Spring meetings in April 2002, the report's findings demonstrate that social and economic policy reform is central to the effectiveness of aid.

While critical of the quality of overseas development assistance by these two financial institutions, it should not be interpreted that the authors concur with calls for decreasing overall levels of aid or subjecting existing aid commitments to greater conditionality or external donor scrutiny. This study is above all, an indictment of donor conditionality and the imposition of failed policy prescription on developing countries. It is a call for a more thorough reform of the Washington Consensus.

Executive Summary

In 2002, with its population of close to 22 million people, Uganda is pivotal to the success of the much-publicized reform of the World Bank and International Monetary Fund policies. These international finance institutions and indeed the Government of Uganda and civil society organizations have lauded the Ugandan experience as an international flagship for participatory governance, transparency and economic growth over the last two years.

Uganda is also the most advanced country in terms of the adoption of new and supposedly, poverty oriented concessional lending policy instruments, the Government-developed Poverty Reduction Strategy Paper (PRSP), the World Bank Poverty Reduction Support Credit (PRSC) and the IMF's Poverty Reduction and Growth Facility (PRGF). Over 41 countries are in the pipeline for the adoption of similar policies. Learning from Uganda is instructive for these countries dotted across most of Asia, Latin America and the Caribbean and Africa itself.

This report is written in the context of the controversial process of economic globalization. A growing chorus of critics from Ghana to Bolivia to Cambodia, as well as the streets of Seattle, Prague, Genoa and elsewhere have increasingly questioned the efficacy of World Bank-promoted economic policy reforms.

Based on secondary materials and interviews with leading officials within the Government of Uganda, bi-lateral and multi-lateral institutions and civil society organizations in Uganda and Washington DC over 2001, this study presents evidence that crucial policy prescriptions within the PRSC and PRGF may impair Uganda's ability to effectively realize its anti-poverty and growth goals.

This finding coupled with the dissatisfaction of Ugandan NGOs on specific processes that led to the determination of these policy prescriptions places the legitimacy of the policy framework and the integrity of the World Bank and IMF further in doubt.

While helping to significantly improve relations between civil society and the Government of Uganda, the adoption of the Poverty Eradication Action Plan as the country's Poverty Reduction Strategy was flawed by serious limitations. Ugandan NGOs were invited to provide input on the development of the poverty-reduction goals, but not on the nature of the policies to achieve those goals.

Despite the public claims by the IMF that "key macroeconomic policies, including targets for growth and inflation, and the thrust of fiscal, monetary, and external policies, as well as structural policies to accelerate growth, [would be] subjects for public consultation," in Uganda they were not.

Based on our interviews, it would appear that the actual policies in the loans were determined by the IMF and World Bank representatives in consultation with small technical teams within the Ministry of Finance and the Central Bank.

Apart from the credibility of the consultative process, our analysis shows that the PRSP, PRSC and PRGF exclude serious consideration of the potential impact of ongoing World Bank loan programs to Uganda.

Despite World Bank claims that the PRSP process would involve "informed participation" by civil society, the contents and details of Government commitments to more than 20 other loans totaling over $1 billion (approved in 1998-2001) continued to move ahead without disclosure or public involvement and oversight.

More worrying perhaps than the issue of public accountability and participation is the fact that these new loans do not learn from the IMF and World Bank's own reviews of previous structural adjustment programs and failed programs. There appears to be no institutional learning from these evaluations evident in the new policy designs of the PRGF and PRSC. This is striking in the area of trade and health.

The new loans lack an assessment or corrective strategy to avoid the previous negative social impact of abandoning trade barriers and subsidy cuts. This report demonstrates how the new loans failed to consider how price increases for clean water (a consequence of the water sector privatization directives of the PRSC) might undermine the health-related poverty-reduction goals of the PRSP.

This is particularly unacceptable in the wake of the completion of the five-year, seven-country study known as the Structural Adjustment Participatory Review Initiative (SAPRI), of which both the World Bank and Ugandan government were members. To date, the World Bank has ignored these findings, which strongly questioned the efficacy of rapid trade liberalization, privatization and deregulation.

The Ugandan Government's record on the rights of citizens to basic social services, public information and constitutionalism is recognized internationally. The constitutional reform process and the newly adopted Constitution provides for basic human rights principles and instruments of non-discrimination, equality, and access to be guaranteed for all citizens and special rights for women, people with disabilities and children most notably. It is stunning that the lending policy instruments do not build on this tradition of establishing state directives on the basis of state obligations to citizens. The report demonstrates this with regards the rights of labor.

A range of important external processes and institutions beyond the Bank and Fund influence Ugandan economic and social policy in 2002. It is surprising that the lending policy documents do not incorporate the risks and opportunities posed by Uganda's membership in the World Trade Organization or bi-lateral and multi-lateral trading policies.

A key issue of concern lies in the policy treatment of regulating services, utilities and markets. The IMF and World Bank loans prescribe that Uganda must privatize its key utilities and markets. The documents lay emphasis that regulation "will eventually follow". Yet, close analysis of WTO rules clearly shows that Uganda will not be permitted to develop adequate regulation. The report indicates similar problems for the impact of the US African Growth and Opportunity Act (AGOA) and the European Union's Cotonou Agreement.

Core to the goal of effective regulation is decentralization. From the Uganda experience, accelerating decentralization where there is poor administrative or technical capacity and regulatory oversight at the district levels may actually produce impediments to poverty reduction.

Based on the findings of this report, we find ourselves unable to contradict the growing tide of claims internationally that the World Bank and IMF have repackaged past controversial adjustment policies. The report questions the claim that the new loans support countries' poverty-reduction goals. It is unclear from the Uganda case, how these policy prescriptions will eradicate poverty reduction today when they have clearly failed over the last two decades.

Ultimately, the only way Uganda will become independent of its current donor dependency is to develop its own domestic economy with selective and strategic state supports not different than those used successfully by the industrialized countries. It must also actively explore, initiative, promote and establish sub-regional and regional trade and commerce options.

Contents

1. Introduction and Overview 7

2. Questionable Assumptions 11

3. Decentralization without Regulation 22

4. Privatization Without Regulation 26

5. Health: Privatization Without Regulation 32

6. Water: Privatization Without Regulation 42

7. Education and the Politics of UPE 45

8. Trade and Price Liberalization 47

9. Agriculture: Privatization Without Markets 52

10. Labor Rights: Missing in Action 60

11. Financial Problems 62

12. Transparency for Governments, But Not World Bank, IMF or WTO 68

13. Implications Drawn From This Study 70

14. Unanswered Questions 71

15. Conclusions 73

16. References 75

Annex 1: World Bank Loans to Uganda 1998 – 2001
Annex 2: Design and Intent of the World Bank's New PRSC and the IMF's New PRGF
Annex 3: Summary of Findings of the SAPRI Study on Privatization

1. Introduction and Overview

Uganda's Poverty Reduction Strategy Paper (PRSP) is based on a revision of the Government of Uganda's Poverty Eradication Action Plan (PEAP), which the country had originally produced in 1995-1997. Upon the request of the Government of Uganda, the World Bank and IMF determined that an updated revision of the PEAP, completed in 2000, could serve as the operative PRSP required for debt-relief under the Heavily-Indebted Poor Country (HIPC) initiative.

Uganda's PEAP/PRSP document determines poverty-reduction priority areas for the national budget. It has formalized the national goal to reduce poverty from 44 percent in 1997 to 10 percent by 2017. The Poverty Action Fund (PAF) was created to use debt-relief proceeds to supplement the government's education and health budgets, and as a result, Uganda has been able to increase its expenditures in these and other priority areas. PAF is administered with full openness to Ugandan CSOs and with some oversight by Parliament. Any future increases to the PAF contribution to the national budget are dependent upon additional flows of debt-relief proceeds.

Uganda is one of the first countries to have received the World Bank's new concessional lending instrument, the Poverty Reduction Support Credit (PRSC), which was the first in a series of three single-tranche programmatic structural adjustment credits ($150 million) designed to support the implementation of the PEAP/PRSP (For a complete description of the design an intent of the PRSC, see Annex 2).

This report compares and contrasts the poverty-reduction goals of Uganda's PRSP with the new PRSC loan from the World Bank and the new Poverty Reduction and Growth Facility (PRGF) loan from the IMF (For a complete description of the design an intent of the PRGF, see Annex 2).

The study examines the contents of the two new loan instruments to determine if they effectively support the poverty-reduction goals of Uganda's PEAP/PRSP document. It is based on interviews with Ugandan CSOs that had participated in the PEAP process and Government officials conducted during October-November 2001 in Kampala. It includes analysis of World Bank, Government of Uganda and NGO documents and resources.

The Poverty Eradication Action Plan (PEAP)

The PEAP is the broad policy framework paper first formulated in 1995-1997 for the elimination of poverty in Uganda, and revised in 2000 with extensive public consultations involving civil society organizations. The PEAP is scheduled to be updated every three years.

While most other IDA borrower governments were attempting to begin their PRSP processes, Uganda's advantage was that the formulation of the country's PRSP in 2000 coincided with the scheduled revision of its Poverty Eradication Action Plan (PEAP). Because Uganda was not starting from scratch, and was able to build on the public consultations from 1995 in drafting the PEAP that was launched in 1997, its transformation into the PRSP for Uganda was accomplished quickly in January-April 2000. The consultation process had several dimensions: (a) consultations between government and donors; (b) consultations between the lead government ministry and other line ministries; (c) consultations between government and civil society; and (d) consultations within civil society. A draft of the revised PEAP was presented to the Donor Consultative Group (CG) meetings held in Kampala in March 2000 and was officially transformed into Uganda's PRSP. However, the document that is recognized officially in Uganda is the PEAP, and it is the basis on which donors provide aid to the Government of Uganda. In May 2000, the Executive Boards of the World Bank and the IMF approved the Uganda PRSP.

The updated PEAP is a very comprehensive document compared to the earlier version. It identifies the critical poverty areas and prescribes the 4 broad goals for its eradication:

(1) creating an enabling environment for sustainable economic growth and transformation
(2) promoting good governance and security
(3) directly increasing the ability of the poor to raise their incomes
(4) directly increasing the quality of life of the poor

With the approval of its PRSP, Uganda was able to access debt relief under HIPC II, becoming the first beneficiary of the Enhanced HIPC debt relief initiative. To this effect, the country obtained approximately $46 million in debt-relief in the Financial Year 2000/01, and relief is projected to increase to $55 million in each of the Financial Years 2001/2 and 2002/3 (Gariyo, 2001a.). Taken together, the HIPC I and HIPC II debt relief initiatives are producing savings of approximately $90 million annually on Uganda's repayments of foreign debts. All the savings from debt relief are being committed to poverty eradication through the Poverty Action Fund (PAF), a Government of Uganda mechanism for mobilizing savings from debt relief and donors to finance poverty priority areas identified in the PEAP. Since that time, Poverty Priority Areas (PPAs) have been selected and budget resources have been mobilized for these sectors. Through the PAF, donors have almost doubled their contribution to poverty programs in the Financial Year 2000/2001 (Gariyo, 2001a). For 2001/2002, the PAF resources were projected to increase to Ug. Shs. 609 billion, comprising about 35% of this financial year's budget (Twijukeye, 2001).

How the PRSC and PRGF are intended to support Uganda's PRSP

Ostensibly, the PRSC and PRGF are designed to finance the implementation of policy advice that will help Uganda achieve the four major goals of its PRSP. Again, these are:

(1) creating an enabling environment for sustainable economic growth and transformation
(2) promoting good governance and security
(3) directly increasing the ability of the poor to raise their incomes
(4) directly increasing the quality of life of the poor

The first PRSC, approved in 2001 for $150 million, set out to achieve a host of major reforms. Regarding the PSRP's first goal, "creating an enabling environment for sustainable economic growth and transformation," the PRSC supports reforms to strengthen public expenditure and budgetary management as a critical first step in improving public service delivery. The "enabling environment for sustainable economic growth" is understood by the institutions to refer to the macroeconomic stability that is maintained by the IMF's PRGF with a deflationary program for tight monetary policies, strict budget surpluses and thresholds for financial reserves.

In support of the second major goal, "promoting good governance and security," the PRSC supports the decentralization of public service provision and fiduciary responsibilities from the central ministries to the local district governments, including health, education, water and agricultural extension services. These efforts are coupled with reforms designed to reduce corruption, ensure law and order and security, and provision of disaster management.

In support of the third major PRSP goal, "directly increasing the ability of the poor to raise their incomes," the PRSC prepares the groundwork for the Plan for Modernization of Agriculture (PMA), which is scheduled to become fully operational by the time PRSC II reforms are implemented. The PMA seeks to further liberalize and privatize domestic agricultural markets and services. When fully operational, the PMA will involve government, private sector and civil society organizations in the provision of services for research and technology, agricultural advisory services, agricultural education, a framework for rural finance, access to markets, sustainable natural resource utilization and management, and the strengthening of land rights and land administration.

In support of the fourth PRSP goal, "directly increasing the quality of life of the poor," the PRSC supports major privatization and deregulatory reforms in the health, education, water and sanitation sectors. While it is noted that each of these sectors has been characterized by inefficiency, waste and corruption, NGOs raise serious concerns about the efficacy of the PRSC's proposed solutions. Regarding health reforms, the program supports the "rationalization of financing" (lifting price caps on service fees for consumers), procurement reform, increased drug stocks, more trained clinic staff, increased vaccinations, and the "rationalization" of health infrastructure construction. Regarding education, the PRSC supports recruitment for more teachers, training for teachers, increased textbook supply, and "increasing the efficiency" (privatization) of primary school construction. In the water and sanitation sector (WSS), the PRSC facilitates the decentralization process by assisting the central government with programs to transfer duties to local governments, and to support local governments. It also works to create a "demand-driven" approach to management of WSS projects and to have projects based on "community ownership".

The terms "rationalization," "increasing efficiency," "demand-driven," and "community ownership" are euphemisms for privatization and deregulation of key public services and elimination of their subsidized prices to be replaced by going private market rates. Although the problem of inefficiency in the WSS sector is a real one, the PRSC represents the World Bank's preference to resort to privatization over improvements in the existing system.

The IMF's new lending instrument, the PRGF, will support the poverty reduction goals of the PRSP by providing Uganda with an $11 million loan to support its eliminating trade protections for its domestic textiles and sugar industries, continuing with the privatization of the Ugandan Commercial Bank, eliminating the surcharges on cigarettes and other tobacco products, maintaining a low level of inflation (below 5%), staying within the agreed-upon allocations in the three-year, revolving Medium Term Expenditure Framework (MTEF), and maintaining a reserves level four months' expenditures.

The $11 million is the latest loan in the extension of what had originally been a 1977-2000 series of loans under a former ESAF arrangement negotiated between the IMF and Uganda and first adopted in 1997, before the ESAF had its name changed to the PRGF.

Expressing its satisfaction with Uganda's excellent track record of implementing its policy advice, the IMF stated, "These actions have been underpinned by prudent macroeconomic policies and a wide range of structural reforms that have helped to achieve broad-based economic growth. Directors stressed the importance of continued implementation of sound policies and maintenance of an open foreign exchange system, in order to strengthen the environment for private investment and to help maintain high economic growth, which they considered vital for the achievement of the authorities' poverty reduction objectives" (IMF, 1999).

A sampling of what the fund actually means by "prudent macroeconomic policies" and “structural reforms" is captured in this typical excerpt from the IMF's "Memorandum of Economic and Financial Policies for 2000/01," an annex to the Ugandan Government's "Letter of Intent" document, which lists previous IMF performance criteria and structural benchmarks that have been satisfactorily implemented by the Ugandan Government:

> In the area of trade policy, the temporary additional duties on soft drinks and automotive batteries were eliminated in March 2000, one year ahead of schedule. The additional duty on imported beer was reduced by one-third in March and will be eliminated in June 2001. The additional duty on tobacco products was reduced by one-half in March, three months ahead of schedule, and will also be eliminated in June 2001. In order to finalize the legal framework for the liberalization of international capital transactions that was implemented in July 1997, the new Foreign Exchange Act, which will supersede the Exchange Control Act, will be presented to Parliament no later than end-September 2000.
>
> The Government’s structural reform agenda for 1999/2000 was largely successful. All public enterprises scheduled for divestiture in 1999/2000 were successfully privatized, with the exception of Uganda Spinning Mills, which has been retendered. Most notably, 51 percent of shares of Uganda Telecommunications Limited (UTL) were sold for US$33.5 million to a private international telecommunications consortium, which has assumed management control of the utility (IMF, 2001b).... Further progress has been made in trade liberalization, including the recent removal of the special protection accorded to the textile industry, and the authorities are encouraged to complete the trade reform agenda, by eliminating the discriminatory excises on selected imports (IMF, 2001c).

Following the IMF's March 2001 disbursement of the $11 million, Shigemitsu Sugisaki, Deputy Managing Director and Acting Chairman, said, "Uganda has achieved significant progress in implementing a broad-based poverty reduction strategy, linking budgetary outlays to explicit outcome targets, and setting up mechanisms to monitor progress in achieving the targets of the strategy" (IMF, 2001c). He further said Uganda is to be commended for their recently completed PRSP Progress Review, which indicates that the incidence of poverty has declined substantially, yet added there are concerns about the rising inequality and the increasing incidence of poverty in Northern Uganda. "Prudent macroeconomic management has helped to keep the 2000/01 program on track and preserve budgetary allocations for poverty reduction programs in the face of a sharp deterioration in the terms of trade" (IMF 2001c).

2. Four Questionable Assumptions

In this section, four key operative assumptions that informed the basic designs of the PRSC and PRGF are explored. Firstly, there is an alarming assumption that ongoing negotiations inside the World Trade Organization (WTO) have no bearing on anything pertinent to the PRSC and PRGF, or on the ability of Uganda to achieve its poverty-reduction goals. Secondly, there is an assumption that “listening to the voices of the poor” in the PRSP process has offered no new directions for policy prescriptions and loan conditions, and that

Uganda's PRSP has been essentially a mandate for the IMF and World Bank to continue to prescribe the same controversial structural adjustment programs that they been advancing for the last 20 years. Next, the operative assumption that these same neoliberal economic policy reforms will lead to higher rates of economic growth is questioned. Lastly, there is a further assumption that higher economic growth rates by themselves will lead to poverty reduction.

Assumption 1: WTO: Missing In Action

The IMF and World Bank loans designed to support Uganda's PRSP are questionable because they are based upon incomplete analyses. In a striking omission from the analyses, no assessment of the likely new WTO requirements was included in the development of the loans to Uganda. Although Uganda is a member of the World Trade Organization (WTO), the sister institution of the IMF and World Bank, the authors of the PRSC and PRGF wholly neglected to include consideration of how the WTO's new sets of trade agreements and rules currently being negotiated will likely impact the ability of Uganda to achieve its poverty-reduction goals.

Since the November 2001 WTO ministerial summit in Doha, Qatar, negotiations on a set of crucial trade and investment liberalization agreements are underway, including the General Agreement on Trade in Services (GATS), the highly protectionist Trade-Related Intellectual Property rights (TRIPs), the Trade-Related Investment Measures (TRIMs), and the Agreement on Agriculture (AoA), among others. Final agreements on such concepts as "national treatment" for foreign investors and the nature of dispute-settlement mechanisms stand ready to have profound effects on the ability of countries to regulate their own domestic markets in the future, even as privatization continues apace.

The World Bank usually follows its plans for sector privatizations with appended claims to support the development of effective state regulation of these sectors' markets. However, even putting aside the Bank's checkered historical track record of regulatory regime endeavors and the acknowledgement of deep corruption in Uganda, the official line is that an effective regulatory regime will eventually become established. However, the IMF and World Bank neglected to consider the very real constraints "national treatment" and other WTO legal concepts such as "least burdensome" regulatory levels could have on the ability of countries like Uganda to develop the regulations promised by the IMF and World Bank.

The issue of how the World Bank's Private Sector Development (PSD) strategy, which is partly operative in the PRSCs for Uganda, will dovetail with the new GATS rules also raises many unanswered questions for Uganda. The proposed PSD strategy will likely increase the number of foreign private companies competing in services markets directly against the Government's public services. Oxfam reported that it was concerned that "the relationship between the World Bank's proposed Private Sector Development (PSD) strategy and national PRSP processes is unclear" (Oxfam, 2001). Oxfam further stated that decisions about privatization or private sector delivery of basic services are highly political in rich and poor countries alike and "decisions about the appropriate mix of the public and private sectors in service delivery should be answered by governments at the country level with the full participation of citizens" (Oxfam, 2001).

Oxfam's concern is that the PSD strategy will reduce flexibility for governments through the World Bank loan conditions dealing with the nature of service delivery. This, combined with a strong mandate to World Bank country teams to increase lending for the delivery of services by the private sector "would reduce the credibility of the PRSP as a process within which a range of development policies can be discussed" (Oxfam, 2001).

Despite these concerns, there is no consideration of how these policies will impact Uganda when the GATS and other WTO disciplines are enacted. For example, the concept of "national treatment" for foreign investors, when finalized, could likely prohibit Uganda from adopting key regulatory supports such as local-content laws which seek to support domestic industry over foreign investors, something which the industrialized countries have used for over 100 years in the course of their own industrialization. Another serious concern is that the finalized dispute-settlement mechanism could likely be used by foreign investors to sue the Government of Uganda into abandoning its role in public service provision altogether. This is currently happening in the NAFTA dispute-settlement case in which UPS Corp. is suing the Canadian Government's postal service to have it removed from the parcel-delivery market because its state financing constitutes a "discriminatory" and "unfair trade advantage" vis-a-vis private operators in this services market under NAFTA's free trade rules.

The WTO's dispute-settlement mechanism is based on a state-to-state lawsuit process, but the mechanism within the North American Free Trade Agreement (NAFTA) is a new foreign investor-to-state lawsuit process with broad implications that are only now being reviewed. Considering that the current negotiations inside the WTO to expand and revise the existing WTO dispute-settlement mechanism are based on the NAFTA Chapter 11 model, it is very surprising that the strong likelihood that similar WTO rules will restrict Uganda's ability to develop its key public services, or to provide state supports and regulations needed to effectively regulate its new private markets, was entirely ignored in the development of both the PRSC and PRGF.

This omission is especially unsettling in light of the recent WTO refusal to do a study requested by seven African countries, including Uganda, to look at the impacts of trade liberalization measures included in previous structural adjustment programs (SAPs) before launching another round of tariff-cutting negotiations at the November 2001 WTO summit in Qatar. A statement by the seven countries called for "a study process involving stock-taking, examination and analysis" in order "to draw lessons from the experience of the past and make conclusions on the most appropriate manner in which to proceed on this matter," but the WTO declined to commission the study (BWI, 2001). In-depth analyses of the impact of previous trade liberalizations and subsidy cuts on Uganda's employment and social well-being were absent in current and previous data used in the design of the PRSC and PRGF. Such omissions are unacceptable for loans which are ostensibly based on the poverty-reduction goals of Uganda's PRSP.

The omission of any considerations of the previous social impacts of trade barrier and subsidy cuts from the design of the new loans is made even more unacceptable in the wake of the completion of the five-year, seven-country study under the Structural Adjustment Participatory Review Initiative (SAPRI), of which both the World Bank and Uganda were members (SAPRIN, 2001). The findings strongly questioned the efficacy of rapid trade liberalization, privatization and deregulation. As Uganda was included in this comprehensive review one might have expected its conclusions to inform the design of new loans for the country. However both the World Bank and the government of Uganda appears to have ignored the SAPRIN findings.

With trade liberalization and other WTO matters being of such grave concern to Uganda, any long-term strategic development plan for the country should logically address these issues when assessing strategies for poverty-reduction. Simply put, the PRSC and PRGF for Uganda are based on a world view in which the new WTO disciplines do not exist. For this reason, they fail to project the potential impact of implementation. This is seriously flawed and potentially dangerous.

Assumption 2: PRSPs Are a Mandate To Continue SAPs

When the IMF and World Bank hosted dozens of Southern CSOs to their review of the PRSP in mid-January 2002 in Washington, they heard about the benefits and failures of the PRSP process. Some of the most important criticisms of the PRSP processes had been recorded in dozens of reports and international reviews commissioned throughout 2000 and 2001.

CSO participants in Uganda's PEAP process have expressed feeling felt left out of the later stages of the process when they were excluded from the discussions in 2000 that turned the Uganda PEAP into the PRSP that was presented to the IMF/World Bank Executive Boards (Gariyo, 2001a). Although there were numerous contacts with government officials at all stages in the preparation of the PEAP in 1995-1997 and in 2000, "there were fewer contacts with donors and more specifically the IMF and the World Bank missions in the preparation of the IMF version of the PRSP document...The few meetings that took place between the missions and NGOs were almost like verification meetings to find out the level of civil society participation and the quality of inputs" (Gariyo, 2001a).

A problem for Ugandan NGOs, as with those in many other countries undertaking PRSPs, is the dynamic that develops in which the groups focus solely on the PRSP to the distraction or neglect of all of the other World Bank loans that are continuing to be developed and pushed through the lending pipeline. The Uganda National NGO Forum, the Development Network of Indigenous Voluntary Associations (DENIVA), Action Aid Uganda, and other NGOs expressed a growing concern that while all the NGOs' eyes were on the PEAP/PRSP and HIPC debt-relief funds, none were scrutinizing any of the nearly $1 billion in other World Bank loans to the Government of Uganda approved since the PEAP process began in 1997.

Between 1998-2001, the World Bank approved or planned 21 different loan packages for various economic policy reforms and development projects totaling over $1, 085,000,000, of which only $150 million constitutes the PRSC (See Annex: World Bank Loans to Uganda, 1998-2001). Moreover, the details of these proceedings were not designated for public consultations and were agreements signed between the Government of Uganda and the World Bank outside of public view. No consideration of how these substantial, additional Government commitments might impact on poverty-reduction efforts was allowed into the PRSP process. The omission of these other loan agreements from the PRSP process is at the heart of emerging serious CSO concerns over the usefulness of the process.

Based on interviews with several of the Ugandan CSOs that participated in or closely monitored the PEAP process, a major criticism of the PEAP process regards the very limited and constrained nature of CSO input on policy matters for implementation of the strategy. CSOs were only allowed to offer input on poverty-reduction goals, but any questions relating to the particular policies to achieve those goals were not on the Government agenda for discussion at the PEAP consultations. Many CSOs felt that the unspoken implication of this was that the neoliberal policy framework contained in the so-called Washington Consensus was not up for negotiation because the decision that it would continue unchanged was a fait accompli. "Our own government officials would not allow us to diverge from the neoliberal policies," explained Jane Nalunga, Program Coordinator for DENIVA. "They would say that we could not diverge from the existing policy framework because the donors would not accept it." All that the officials could do was to provide the theoretical justification of the policies.

While many CSOs felt as though the PRSP process was an important development in improving Government-civil society relations, many are today left with concerns about the very limited impact of their input on the resulting national policies and IMF and World Bank loan designs. As a result, many are discouraged to see no real change in the new loans, despite the words "poverty reduction" in their titles. Although the problems of waste, inefficiency and corruption in Uganda are very serious and must be meaningfully dealt with, many CSOs were angry when they learned of the contents of the new PRSC and PRGF, which are ostensibly designed to support the goals of the PRSPs.

Several claim that during the PEAP consultations, they had clearly not called for the privatization of the last state-owned national bank, further trade liberalization in multiple sectors, tight deficit-spending constraints, high-interest rates on small business loans, privatization of the water utility for sale to international investors, nor for the privatization of agricultural extension services. The continuation of these highly controversial elements in the new IMF and World Bank loans, has led many groups in Uganda to ask, "What good are PRSPs if the SAPs stay the same?" This contrasts sharply with the public claims of the institutions, such as the IMF's proclamation that "Discussions on the macroeconomic framework are to be more open and iterative. Key macroeconomic policies, including targets for growth and inflation, and the thrust of fiscal, monetary, and external policies, as well as structural policies to accelerate growth, are subjects for public consultation" (IMF, 2001a).

Among CSOs involved in the PEAP consultations, there is growing concern today that perhaps their participation in the endeavor has amounted to little more than a way for the World Bank and IMF to co-opt the activist community and civil society in Uganda into supporting the same traditional policies. The effort to include them in the public consultations and the increased social spending offered in the PRSP budget plans are both very attractive to CSOs, even as all of the other structural adjustment policies are continuing unchanged.

The result appears to create a perception that the NGO community has given its blessing to a strategy which is basically being used by the IMF and World Bank to publicly justify their continuing the same structural adjustment programs in future lending, despite these policies having been the subject of fierce opposition and controversy in many countries over many years. Regarding the net effect of creating such a perception for the public relations benefit of the World Bank and IMF, Zie Gariyo, Director of the Uganda Debt Network (UDN), said "in many ways, participation in PRSPs is engineering consent for structural adjustment policies"(Gariyo, 2001a).

On May 10-12, 2001 in Kampala, Ugandan NGOs hosted an international conference of dozens of African CSOs comprising the international Jubilee South coalition of debt-cancellation activists. The conference released a Pan-African Declaration on PRSPs titled, "Poverty Reduction Strategy Papers: Structural Adjustment In Disguise," in which this skepticism was pronounced. "We are clear the PRSPs represent nothing other than yet another attempt by the World Bank and the IMF to continue imposing their structural adjustment programs on the people of our countries...The World Bank and the IMF retain the right to veto the final programs [reflecting] the ultimate mockery of the threadbare claim that the PRSPs are based on 'national ownership'" (Jubilee, 2001).

Assumption 3: Neoliberal Policies Lead to Economic Growth

The World Bank and IMF have continued to assume that their neoliberal prescriptions based on privatization, liberalization and deregulation will lead to higher economic growth rates, and that such higher growth rates will, in turn, lead to poverty-reduction. This is the logic that continues to inform their claims that the PRSC and PRGF policies will support Uganda's poverty-reduction goals. However the 20-year track record of neoliberal policies has been under fire from an ever-increasing body of research.

For example, a study by the Washington DC-based Center for Economic and Policy Research (CEPR), titled "The Scorecard on Globalization 1980-2000: Twenty Years of Diminished Progress," offers data which suggest the recent 20-year era of globalization has brought substantially less progress than was achieved in the previous twenty years. This paper looks at the major economic and social indicators for all countries for which data are available, and compares the last 20 years of enhanced globalization (1980-2000) with the previous 20 years (1960-1980). These indicators include: the growth of income per person, life expectancy, mortality among infants, children, and adults, literacy, and education. For economic growth and almost all of the other indicators, the last 20 years have shown a very clear decline in progress as compared with the previous two decades. Among the findings: the fall in economic growth rates was most pronounced and across the board for all groups or countries; progress in life expectancy was also reduced for 4 out of the 5 groups of countries; progress in reducing infant mortality was also considerably slower during the period of rapid globalization (1980-2000) than over the previous two decades; and progress in education also slowed during the period of globalization (CEPR, 2001).

Then, from inside the World Bank itself, economist William Easterly published an analysis similar to the CEPR report, calling it "puzzling" that poverty-reduction was indeed more successful in the prior two decades than in the last two under World Bank and IMF influence, and that per capita income growth rates had been much higher in the earlier period, too (Easterly, 2001).

Despite these research trends, in its newest report, "Globalization, Growth and Poverty: Building an Inclusive World Economy," (November 2001) the World Bank repeats the mantra that the countries that have gone farther down the path of globalization are the ones that have had greater success in economic growth and poverty reduction. However, while the World Bank would like very much to use data to show that countries experience higher economic growth after they rapidly liberalize their trade barriers, the data does not show this.

Although achieving higher growth rates (and thus poverty reduction) has long been a principle claim for its trade liberalization advice, the World Bank itself has begun to backtrack on this claim somewhat, according to Harvard University's Prof. Dani Rodrik.

Rodrik suggests that deep inside the World Bank's new report is a startling admission: the countries that integrated into the world economy most rapidly were not necessarily those that adopted the most pro-trade policies:

> For the first time, the Bank is acknowledging that trade liberalization may not be an effective instrument, not just for stimulating growth, but even for integration in world markets. Rapid integration into global markets is a consequence, not of trade liberalization or adherence to WTO strictures per se, but of successful growth strategies with often highly idiosyncratic characteristics (Rodrik, 2001).

Rodrik cites the cases of China, India, Vietnam, and Indonesia, growth miracles of the last two decades and leading exemplars of the World Bank's "globalizers." Yet in these countries the main trade reforms took place about a decade after the onset of higher growth at a time when these countries' trade restrictions remained among the highest in the world. In fact, the report denies that the question timing, pacing or sequencing of trade liberalization is even relevant. "Whether there is a casual connection from opening up trade to faster growth is not the issue" declares the report. In response, Rodrik asked, "One wonders why not. Why did the Bank invest so much intellectual capital on establishing the linkage between trade openness and growth if that is not an important issue? ...These oddities are perhaps to be expected for an institution that is being forced to backtrack from a position that has become analytically and empirically untenable...Previously, the World Bank wanted you to think that a significant liberalization of the trade regime is a key element in," achieving higher rates of economic growth, but, "Now it is no longer so sure" (Rodrik, 2001).

A recent analysis by Oxfam drew the same conclusion and pointed to a different range of policy options and a diversity of approaches:

> Stated crudely, many of the countries that have most successfully reaped the benefits of integration into the world economy – China, Vietnam, Mauritius, and Thailand to name a few – are not a strong advertisement for IMF and World Bank policy prescriptions. Countries like China, South Korea, Taiwan and Vietnam all succeeded to varying degrees in tapping the enormous potential gains offered by successful integration into the global economy. They combined a strong export orientation with other less orthodox policies: restrictions on foreign investment, export subsidies, local content requirements, and relatively high levels of tariff and non-tariff barriers (Oxfam, 2001).

In light of these developments, the IMF and World Bank should not have continued to prescribe rapid trade liberalization and other traditional neoliberal policies, in Uganda's new loan packages.

Questioning the efficacy of rigid structural adjustment policies for Uganda, DENIVA's Jane Nalunga points to some basics of world economic history:

> No country has ever developed without government's active involvement in the economy. All the developed countries like Britain and America developed through heavy government intervention in the domestic economy as well as in the foreign sector…The developed countries also industrialized by fiercely protecting their national industries until they were large enough to compete on the world market. The British Empire, for example, carefully protected their textile manufacturing, but lobbied hard for free trade to push their cheap cloth into other countries. The reason why Germany and Japan were able to become major powers is that they used a national economy model to protect their economies until they were strong enough to compete internationally.
>
> The Newly Industries Countries (NICs) like South Korea and Taiwan developed mainly due to governments' strategic intervention in the economy. Taiwan's government used tax revenue to invest heavily in both agricultural and industrial infrastructure. State-owned companies controlled the supply of raw materials such as steel and plastic and sold them to industries at low prices. So why does a poor country like Uganda blindly follow policies that have never worked anywhere and are not likely to work here? (Nalunga, 2001).

The growing body of evidence suggesting that neoliberal policies may not lead to economic growth or poverty reduction gives rise to questions about Uganda's high economic growth rates through the 1990s. Were these growth rates the result of then-higher world prices for coffee, neoliberal policies or did the high growth rates merely coincide with them? Who were the beneficiaries of the economic growth? How much poverty reduction has occurred?

Furthermore, the type of export production in which Uganda engages is not explored, with the operative assumption being that it will remain a primary commodity producer. However, certainly basic cash crop production cannot lead to much value added, and however much Ugandans attempt to improve on this, it will make little headway in eradicating/alleviating poverty. This remains the underlying principle on which Uganda's export-oriented growth policies are based.

Assumption 4: Economic Growth Leads to Poverty Reduction

Following this first assumption of the IMF and World Bank that neoliberal macroeconomic reforms will lead to higher rates of economic growth is the correlative assumption that once growth rates rise, all boats in the economic tide will rise together. It is necessary to make clear that economic growth is different from a country's "development"; in other words, some policies may lead to economic growth (GNP, per capita, etc.) but not necessarily to improvements in economic development – an argument that is central to the analyses done in the United Nations Development Program's (UNDP) annual Human Development Reports.

The PRSC document reports that the living standards of Uganda's poor did increase during the high economic growth period of the 1990s. But it also points out that despite the high economic growth rates, "There appears to have been little change in income distribution within urban and rural areas," and that the "slight worsening of distribution towards the end of the decade...suggests a widening of the rural-urban gap" (p.5). And, according to the PEAP/PRSP analysis, "Government can reduce poverty to 10 percent by 2017 if real GDP grows at 7 percent per annum and growth is equally distributed" (emphasis added). Yet, neither the PRSP nor the PRSC suggested any ways to address this problem of the lack of equitable economic growth or how to improve this situation in line with the poverty-reduction goals. However, while progressive taxation and a host of targeted state supports are feasible options, there are no explanations offered nor policy proposals suggested that would seek to make future economic growth more equitable. As it is, there is no guarantee that future economic growth will benefit the poorest in Uganda any more than it has done to-date. By not addressing this crucial issue of distribution and equity in economic growth, one wonders how poverty-reduction goals are to be achieved.

The official statistics indicate that poverty in Uganda has been reduced to its current level of 35% of the total population, based on Uganda Bureau of Statistics Household Survey 1999/2000, meaning that only about 7.5 million Ugandans earn less than Ug. Shs. 2000 per day. However, qualitative studies carried out by UDN and Oxfam reveal that the number of Ugandans living below the absolute poverty line is more than 7.5 million (Twijukye, 2001).

The World Bank-backed official Ugandan statistic of a 35% poverty rate conflicts with the findings of qualitative poverty studies such as the Uganda Participatory Poverty Assessment Program (UPPAP), a component of the PEAP process. Richard Ssewakiryanga, Program Officer for UPPAP in the Ministry of Finance explained, "there was a disconnect." Whereas the World Bank claimed poverty is falling, qualitative studies such as UPPAP said it's more a matter of perceptions.

A May 2001 report titled, "The Differences in Perceptions of Poverty," which was one of the SAPRIN national studies for Uganda and was conducted by an independent researcher working under the auspices of the Uganda National NGO Forum, found that poverty is perceived as an economic, political and social process in which these different parts interact and reinforce one another. The study found that "growing gender imbalances, lack of access to services, poor infrastructure, powerlessness, social exclusion and lack of voice (political power) in decision-making among the poor as facets of poverty exist, and are in some cases on the increase" (Muwanga, 2001). The report also noted that World Bank assumes that an increase in agricultural productivity will lead to increases in farmers' incomes. However, the documented increase in agricultural outputs may have helped individual larger farmers and big exporters, who happen to be male in most instances, but it did not help wage laborers, who get paid very little regardless if output rates increase or not, or women who do most of the work on the farms.

When attending a March 2001 Standing Committee meeting of the Association of Members of the Episcopal Conferences of Eastern Africa, the Archbishop of Gulu in Uganda, Mgr. John Baptist Odama, challenged those who believe that the IMF and the World Bank have pulled his country out of poverty to "come and see for themselves" [what is going on in Northern Uganda] (PNA, 2001). He charged that about 85 percent of Ugandans there live in misery and that Uganda's so-called success story could have meaning only if compared with what is happening in some other countries of the region. Mgr. Odama was categorically clear on the inequalities in the distribution of wealth in Uganda. "The riches of the nation are not well distributed, some areas live in abject poverty," he revealed, quoting areas like the north and some parts of eastern Karamoja, in northwestern Uganda. He denounced the creation of an upper class in the country to which only about 15 percent of the people belong. "Although they claim to be trying to build bridges between the two classes, I do not see that possibility, the majority of our people are poor...What success are we talking of when over 80 percent of the people are poor?" he asked, and insisted "that it would be wrong to claim that the whole country has been uplifted by the Bretton Woods institutions" (PNA, 2001).

As skepticism about the usefulness of NGO participation in the PRSP process deepened, a study was conducted by NGOs from the Global South, including the Ugandan group African Women's Economic Policy Network (AWEPON), in order to test whether "PRSP theory" matched reality after nearly two years of practice. Testing to assess if the PRSP process has encouraged accountability of governments to their own people and domestic constituencies rather than to external funders so that the "the poor become active participants not just passive recipients," Jubilee South, Focus on the Global South (Bangkok), AWEPON (Kampala) and the Centro de Estudios Internacionales (Managua) organized, with the support of the World Council of Churches, a series regional and country reviews of PRSP processes in Africa, Asia and Latin America. The November 2001 report titled, "The World Bank and the PRSP: Flawed Thinking and Failed Experiences," explained, "The obsession with growth projections remains unashamedly dominant in the World Bank-IMF poverty relief thinking" (Guttal, 2001). Research presented at the workshops indicated that growth and poverty reduction did not go hand in hand, "a fact attributable to the model itself [and incorrect poverty diagnosis] and not to some correctable administrative shortcoming." Programs are ultimately directed towards achieving the highest possible growth "which is not necessarily the same as achieving the highest possible poverty reduction" (Guttal, 2001).

Participants stressed that while high growth or simply growth may take the appearance of improved social indicators, if it does not address inequality, growing rich/poor divides and often pushes some sectors deeper into poverty including undignified employment that cannot be good for the poor.

> The report stressed the effect of the narrow confines of the discussion in the PRSP process, suggesting that it can be intentionally deceptive to reduce the entire discussion of poverty down to simply the issue of poverty alleviation instead of the asking broader questions about the development model and economic globalization. There are a number of elements that are not included in PRSPs because they do not fit within the obligatory neoliberal parameters.... Policy and political measures indispensable in many cases to effective poverty and inequality reduction mentioned included land and agrarian reform, progressive taxation, support for domestic markets and protection, food sovereignty, the protection of environment and labor vis-à-vis investors, assurances of social rights and entitlements, and other forms of governmental protection vis-à-vis the free market.... In most official I-PRSPs and PRSPs these elements did not appear even in the diagnosis, and if the poverty diagnosis is incorrect, so too will the emerging strategy. This is why we believe that the policy matrices that appeared in most PRSP processes seldom show a demonstrable connection with actual poverty reduction (Guttal, 2001).

In the Financial Year 2000/2001, the Ugandan economy reportedly had grown by 5%, according to the Ministry of Finance, but questions persisted among CSOs about how this growth would help the poorest people in Uganda. They wondered aloud, Could the Finance Ministry "justify that the 5% in any way led to increased safe water sources in villages, wiped out the studying under trees by children [rather than in school buildings], provided more drugs in health units, and above all provided a rest of mind for these people?" (Twijukye, 2001).

3. Decentralization without Regulation

Sector-Wide Approaches (SWAPs)

A recent trend in international donor support to developing countries has been the emergence of the concept of sector-wide approaches (SWAPs) to targeting donor aid. This involves donors, including the World Bank and bilateral donors no longer providing particular sums of aid monies for particular projects in countries. Instead, the new trend is for donors to provide overall sums to support an entire sector or government budget, while allowing the recipient government to set priorities on how to use the monies. In the effort to convince donors that their money will not be wasted, or re-allocated to areas donors don not wish to fund, recipient governments have become obligated to produce elaborate sector-wide reform programs detailing how aid money in grants and loans will be used to reform their economies, sector by sector. Donors have therefore been increasingly offering large sums to be used for broad, overall sector-wide reforms while moving away from particular project lending. This development is meant to offer recipient governments greater ownership of their own economic reforms rather than being bogged down with myriad reporting requirements to various donors for various project loans most of which are not sustainable once donor funding stops.

CSOs supported the proposal by the Ugandan Government that budget support from donors should be flexible in order to give the Government a bigger say in the allocation of expenditure for poverty reduction. This is seen as necessary to enable the Government to redirect over-funded areas to less-funded but equally critical and deserving areas. Often Government subsidies have not reached the poorest citizens.

Most donors to Uganda have now accepted a recommendation from the government, developed in consultations with civil society that aid should be provided "in one basket," as part of the national budgetary resources to be spent in the agreed priority areas of the PEAP/PRSP. However, some donors are reasonably concerned about the lack of effective accountability and continued reports of corruption by government officials. "Hence donors are wont to tread cautiously, [or to seek stringent fiduciary assurances] thereby delaying the implementation of key programs. Nevertheless, civil society organizations expect that aid and budgetary resources such as taxes will be merged within the Medium Term Expenditure Framework" (Gariyo, 2001a).

However, there are serious concerns being raised about the efficacy of the sector-wide reform approach, especially regarding the health and education sectors. A primary concern raised by Ugandan NGOs is the sector-wide approach's overwhelming emphasis on improvements in sector quality and efficiency to the neglect of issues such as access and coverage. The PEAP/PRSP developed specific goals on achieving universal access to primary education and primary health care and the plan involves ambitious efforts to hire and train 35,000 additional teachers and 1,300 nursing assistants, with plans to increase public service employees' wages in order to attract and retain qualified professionals. The plan also envisions funding for building new schools and health clinics. Unfortunately, there are few details on exactly how the government plans on "ensuring equal access to health services," as one of the PEAP/PRSP's goals states.

In contrast, the PRSC is more reflective of World Bank sector reform priorities and is more explicitly committed to improving the effectiveness, efficiency and quality of existing services than it is to expanding access or coverage of such services for the poorest citizens. While improvements in quality and efficiency are extremely important, it is not clear how these efforts alone will benefit those deepest in poverty who currently do not have access to services. The World Bank's operative assumption is that by making existing services more efficient, resources that are saved will be recycled and used to finance future expansions of services. The World Bank can cite no evidence of this approach yet working, and while the World Bank retains faith in its approach, in Uganda active plans to immediately expand coverage and access of services do not seem to exist. There is no evidence to suggest that efficiency gains necessarily benefit the poorest people, therefore it is unclear how improving of existing services alone will lead to poverty-reduction for Uganda's poorest citizens, many of whom continue to struggle without access to services.

The focus on increasing technical, financial, accounting and legal reforms within the sectors is good, but for example, within the health sector reforms, these are being implemented to the neglect of health outcomes on the ground (i.e. nutrition indicators, mortality rates, immunization rates, etc. some of which are heading in the wrong direction). Immunization rates have been dropping in Uganda since 1998 when the health sector reforms began. The World Bank's Operations Evaluation Department (OED) has expressed serious concern that the focus on increasing sector efficiency may be occurring at the expense of expanding health coverage and access to those who need it most (Johnston, 2001). Improving health outcomes on the ground has been found by OED to not be among the variables used in evaluating the success or failure of the SWAP approach to health sector reform. The SWAP approach is an attempt that has not yet been proven to work, yet it is being aggressively expanded. It is clearly undisputed that neglecting to focus on health outcomes on the ground will not lead to poverty- reduction.

Decentralization

The corollary to the SWAP approach to sector reforms has been a significant push towards decentralization: the shifting of administrative and budgetary control away from the central ministries in Kampala towards the district level governmental bodies. This feature of decentralization reforms has become extremely uniform and widespread throughout most World Bank lending conditionalities in recent years, but has not been well implemented.

Instead of being a genuine attempt at achieving good governance, many understand the push for decentralization in many poor countries as a tactical effort at appeasing the World Bank's progressive critics who have long complained about the traditional top-down approach to loans and policy reforms via borrower countries' central governments. Therefore, many see the World Bank's comprehensive support for decentralization as an effort to shift administrative and budgetary control down to the local level where ostensibly the "grassroots" have the ability to demand greater accountability from local government than from the central government in the national ministries in the capital city. The rationale was that this would make public officials directly accountable to the people they serve, especially concerning provision of social services such as health, education and rural road construction. One IMF official, who is familiar with Uganda and concerned over the rapid pace of decentralization there, explained that the World Bank's enthusiasm for decentralization is the result of its "spineless" attempt to appease its critics.

In many countries, and Uganda is not an exception, the rapid pace of decentralization has been fraught with difficulties primarily due to a lack of effective regulation at the district levels, extremely high levels of corruption and a lack of administrative and fiscal capacity to carry out the tasks being devolved to local governments.

In June 2001 Transparency International listed Uganda as the third most corrupt country in the world. The Inspectorate of Government (IGG) report to Parliament for the period of June-December 2000 indicated that local government administrations are the most corrupt in the country (Muserero, 2001).

The then Auditor General, James Kahooza, said in April 1996, following a special audit he carried out in Mbarara district, "I am personally beginning to wonder whether decentralization...was well timed...A lot of responsibilities appear to have been placed on people who were probably not ready to shoulder them" (Nsubuga, 2000). According to the editor of The Monitor (Kampala), Charles-Onyango Obbo, "not a day passes without a story in the print media about corruption, especially in the districts," but for every case of corruption that is exposed, "there are ten others that pass undetected mainly due to lack of capacity in government to monitor the situation in the districts" and in civil society to expose them (Nsubuga, 2000).

The District Public Accounts Committees (DPACs), which are mandated to regulate public resources at the district levels, are not yet fully functional despite the fact that local district governments have been managing their own funds from as far back as 1995 when the Local Government Act was enacted. There continues to be a serious lack of skilled personnel to handle the accounting responsibilities and this is exacerbated by the rampant corruption and lack of political will to make necessary changes in common practices. The Auditor General reported in 1997 that the Central Government was not demanding accountability of its funds transferred to the district levels. The 56 districts receive conditional and unconditional grants from the Central Government and they are also allowed to levy their own fees in the forms of a graduated tax, license fees, and ground rent. (Nsubuga, 2000). 25% of revenues generated are retained at the local governments below district level.

The Health Ministry's Annual Health Sector Performance Report for FY 2000/2001 stated, "The capacity for financial management was deemed adequate at the district level, but inadequate at the Health Sub-District (HSD) and lower levels" (MOH, 2001).

According to the views of NGOs who participated in the PEAP process, some aspects of the devolution of powers to district level government have been positive. In some districts this has improved decision-making, tax collection and encouraged greater accountability, such as in Bushenyi and Kabale. However there is concern of sectarianism emerging between and among districts and peoples from different districts, with poorer districts being marginalized (CSRC, 2000). There is considerable concern about the tendency for local officials to develop individual fiefdoms in which manipulation and abuse of power become enhanced by the decentralization process. NGOs from Soroti explained, "If corruption existed at the central level, then it has just been decentralized" (CSRC, 2000).

According to Meenu Vadera, Director of Action Aid Uganda, which is heavily involved in the UPPAP II process, one village in one of the LGDP compliant districts noted the following:

> "When asked people did not recall getting their share of 25% of the local revenue that is supposed to be channeled back to the LC1s for development activities. So when the funds came, which were around 50-60,000 shillings (approx. $30), the people just distributed it on a first come first served basis. In another village they spent it on alcohol and merrymaking. This is not so much a reflection on peoples' lack of initiative as peoples' indictment of the national and international policies that claim to push through substantive development by meager deployment of resources. Of course this also highlights the challenge the yet nascent decentralization process poses, especially as donors continue to push it through at a pace, which matches the rhetoric more than the reality. Isn't decentralisation, multi party democracy the twin siblings of free market paradigm that on the economic side pushes privatisation, liberalisation and deregulation."?

There is a need for more empirical evidence that decentralization is directly related to successful poverty-reduction. In the absence of data or evidence to suggest any correlation between poverty-reduction and decentralization, the World Bank should not have widely prescribed these reforms to be enacted at rapid paces in many countries, including Uganda. Not only are any positive impacts on poverty-reduction goals unsubstantiated; there is a concern that the procedures could have negative impacts on poverty reduction.

Without proper administrative or technical capacity and regulatory oversight yet in place at the district levels, moving too quickly ahead with these reforms may actually produce impediments to poverty reduction. In the context of decentralization reforms, the PEAP/PRSP is clear about the need to introduce new regulatory frameworks for both privatization of services and for public services provision. New local-level regulatory apparatuses such as the DPACs are not yet fully in place, nor are staff yet adequately trained with appropriate skills and resources. Despite the dangers posed by these facts, the sequencing of World Bank decentralization initiatives does not require that effective regulatory systems be in place prior to decentralization reforms being enacted.

The potential damage to poverty-reduction goals by private sector activity and/or public sector corruption in the absence of effective local regulatory oversight is not assessed by the PRSC or the PRGF for Uganda.

4. Privatization Without Regulation

Uganda's Experience with Privatization

Historically, state ownership has been based on the need to control strategic sectors, provide essential services, strengthen domestic economic growth and ensure key investments that the private sector was unable or unwilling to make. Over the past two decades, as countries have experienced growing fiscal crises and foreign debt, state enterprises and services have increasingly been labeled as inherently inefficient, an obstacle to free competition and a constraint to private-sector-led growth. Privatization has been indiscriminately advocated as a way to enhance a country's economic performance at both the macro and the micro, or enterprise, level, as well as improve a government's fiscal position.

Privatization has been an important component of structural adjustment programs and has often been a pre-condition for loans from the World Bank and the IMF, regardless of the extent or effectiveness of public ownership in a particular country.

In 1992, in accordance with loan conditionalities, the Government of Uganda began a privatization effort to sell-off 142 of its state-owned enterprises. The most significant problem Uganda had with this process was a lack of effective regulatory oversight of the privatization process itself. The lack of preparedness to effectively monitor and regulate the divestitures and the total lack of transparency in these processes allowed for unmitigated corruption by unaccountable public figures. The sale of the 142 firms was initially projected to raise a total of $500 (Ushs.900 billion), but by October 1999 there was a bank balance of only UShs.3.7bn, of which Ushs.3bn was tied up in guarantees (Nsubuga, 2000).

Several factors contributed to the failure of Uganda to realize the expected $500 million, particularly asset stripping prior to finalized sales, influence-peddling, failure or refusal of buyers to make full payments on purchased assets (this has been an extremely common problem in which buyers offered a small deposit at the time of the sale and later never paid the rest of their scheduled payments), and the initial overvaluing and over-pricing of public enterprises. The Government poorly managed its privatization programs and failed to involve public workers and citizens' groups in these processes, while existing regulatory mechanisms have proven ineffective at ensuring adequate oversight.

The Uganda Debt Network's dossier on "Corruption in Uganda" (2000) has chronicled the criminal investigations, ten years of the Auditor General's reports, and other reports of the corruption scandals that have been associated with privatizations in Uganda. For example, asset-stripping was documented in the sales of Transocean Ltd, the Nile Hotel, Uganda Posts and Telecommunications, and many others, often involving key members of the management of these state enterprises. Influence peddling was documented in the privatization of Uganda Airlines Corp. (UAC), Apollo Hotel Corp. (AHC), Uganda Commercial Bank (UCB), and the Nile Hotel, and many others, all of which involved high-level government officials (Nsubuga, 2001). UDN's dossier on Corruption in Uganda listed key problematic features which facilitated the rampant corruption in Uganda's privatization program over the years: a weak accountability system; poorly enforced procurement procedures; poor coordination between government departments; negligence of public officials; unattractive salaries and wages for civil service employees; greed, patronage and nepotism; failure by government to identify and punish offenders; a passive attitude and fear to confront authority; the lack of transparency and secretive nature of corruption; and threats and blackmail (Nsubuga, 2001).

Uganda has taken steps to create anti-corruption agencies and institutions such as the Directorate of Ethics and Integrity (DEI), the Ispectorate of Government (IGG), the Auditor General's Office, the Public Accounts Committee (PAC) in Parliament, and the Criminal Investigations Department (CID) in the police force. However, there is a lack of political will to appropriately finance and house these offices or to provide adequate staff, technicians, accountants, legal professionals or even computers. As a result, corruption, particularly that related to privatization, "continues unabated in total disregard of set procedures" of these regulatory bodies for three major reasons: 1) both government and civil society organizations responsible for fighting corruption are not strong enough to deal with the pervasive extent of the problem; 2) corrupt officials are either not punished or left to occupy responsible senior public positions; and 3) a lack of political will to seriously and effectively fight corruption (Nsubuga, 2001).

CSOs in Uganda have used a combination of approaches in the fight against corruption. Some CSOs have led countrywide public education campaigns in an effort to mobilize the people at the grassroots to demand accountability from public officials and resist corruption at all levels. Media campaigns and information dissemination have made corruption a hot political issue in the recent presidential elections. Other methods include increased research. 40 NGOs formed an Anti-Corruption Coalition (ACCU) to organize jointly in the fight against corruption. Civil Society Organizations have consistently campaigned for the improvement in the delivery of social services. However, CSOs clearly lack the necessary resources and capacity to carry out extensive public education programs on a sustained and long-term basis.

In asking who participates in perpetuating corruption, Zie Gariyo of Uganda Debt Network (UDN), underscored that the problem extends to groups beyond Uganda:

> Large international business corporations and their representatives who monopolize and control world trade and are interested in making quick and large profits from their investments irrespective of the effect their actions. They pay bribes to procure contracts for the supply of goods and services. Also complicit are donors and foreign governments who prefer to keep a closed eye even when they know that senior officials in government are not capable of presenting proper accountability for the money they spend. Foreign governments have [given loans] even when they know such leaders are siphoning off large chunks of borrowed resources to foreign capitals (Gariyo, 2001b).

Regardless of Uganda's infamous track record with corruption and lack of effective regulation in the privatization process, the IMF and World Bank continue to call for full-scale privatizations as conditions on its new PRGF and PRSC loans for Uganda. In so doing, they directly contradict their own advice for such situations as Uganda's.

For example, in a 2001 review of past privatizations, the World Bank advises:

> Privatizing in the absence of adequate legal and regulatory institutions is certainly unsatisfactory on equity grounds and at least in IDA and transition countries does not seem to offer many short-term gains. But keeping the enterprises in state hands and trying to reform them slowly has not produced positive results either... Given this difficult situation, IDA has learned... that privatization should be supported, but with less ambitious programs. Such scaling down requires... a case by case approach" (World Bank, 2001b).

If ever there were a case in which the issue of inadequate legal and regulatory institutions justified a reconsideration or "scaling-down" of a privatization program, it would be Uganda. The country's existing track-record and Transparency International's ranking of Uganda as the third most corrupt country in the world should make Uganda a prime candidate for such a scaling down. However, the new World Bank PRSC is conditioned on the privatization of the Uganda Commercial Bank, the state-funded agricultural advisory services, and the national water utility. If scarce government revenues are again siphoned-off, divested and embezzled from these future privatizations, it will be the poorest citizens who suffer the most from inadequate government revenues for key public services. By insisting that Uganda moves ahead with these privatizations in such a corrupt and inadequately regulated environment, the World Bank and IMF may well undermine efforts to achieve the 4 stated poverty-reduction goals outlined in the PRSP.

Two questions arise from this analysis: Is the problem privatization itself, or the methods by which privatization is being implemented? But perhaps more importantly, one could ask: Is privatization necessary at all, or could these public institutions be meaningfully improved without having to resort to privatizing them? Are the ideological predilections of the World Bank that favor the private sector over the state driving the decisions to privatize these institutions?

Uganda's Lessons from the 5-Year SAPRI Study

Four of the seven countries of the 5-year SAPRI study, which included important lessons from Uganda's experience, commissioned specific field studies on the impact of privatization as part of SAPRIN series of studies on structural adjustment. The SAPRI studies drew a distinction between the privatization of enterprises involved in production and those delivering basic services, such as water and electricity. As far as the latter category is concerned, in the three countries where there was a review of the privatization of public utilities, access to affordable quality services did not improve for the societies as a whole and, in some cases, they worsened. Privatization measures exacerbated inequality and failed to contribute to macroeconomic efficiency.

The general outcomes can be summarized as follows:

> In Uganda, while the privatization of large productive enterprises improved the efficiency and profitability of individual firms, benefits to the wider society have been questionable. The financial [short-term] costs to the state of privatization were found to have outweighed the fiscal benefits. The sale of state assets was marred by corruption. No property-owning middle class was created, and a large share of the value of assets sold is now owned by foreigners. Workers laid off during the privatization process suffered from inadequate compensation and retraining, while those who kept their jobs experienced greater job insecurity and income inequality within the firm. There was limited employment generation in privatized firms, mostly in low-paying jobs (SAPRIN, 2001).

Other important findings in the reports on privatization in Uganda and the other SAPRI countries are summarized in Annex 3.

In total disregard of all these legitimate concerns raised about privatizations by the SAPRI studies, the Uganda Debt Network, and many other CSOs, the World Bank and IMF have failed to adequately address these concerns with any effective provisions, changes or reconsiderations of future planned privatizations in the PRSC and PRGF. The institutions remain firmly committed to insisting that Uganda move ahead with the scheduled privatizations of the Uganda Commercial Bank, the state-funded agricultural advisory services, and the national water utility.

Another major source of discontent among NGOs is that Uganda's privatization process offered no provisions for employee preference schemes to create an opportunity for employees of state-owned enterprises to acquire an ownership interest on favorable terms, whether it be in the form of enterprise shares, physical assets, or a 100% buy-out. As a result, the original objective of creating the opportunity to develop a property-owning middle class was not achieved (Ddumba-Ssentamu and Mugume, 2001). These privatizations without adequate regulation do not support efforts to achieve the 4 key poverty-reduction goals outlined in the PRSP.

The WTO and the Regulation That Never Comes

The PRGF and PRSC make scant reference to the need for the development of effective regulation in Uganda's economy. The IMF and World Bank have expressed concerns about striking the right balance between developing an effective regulatory apparatus and maintaining the proper environment to ensure an attractive investment climate for foreign private investors. What this means is that some regulations are more "sound" than others, and it is important for Uganda to develop regulations on investors' rights, enforcement of commercial contracts, private property rights, intellectual property rights and the legal infrastructure for their administration, such as those currently being negotiated within the various WTO agreements. However, the World Bank and IMF have little to suggest regarding Uganda's need to develop other types of regulations, such as those that seek to protect the environment; or social services for the poor; or the rights of local workers; or requirements on foreign investors that they keep their investments in a place for an agreed period of time; or regulations that support struggling small businesses; or that require foreign investors to include domestic partners. These types of regulations, although long utilized by the rich countries in the industrialization of their own domestic economies, are viewed by the IMF and World Bank and global investors as impediments to corporate freedoms of market entry and exit or added costs that make the country a "less attractive investment climate."

In fact, a likely reason there is no imperative for this second category of regulations in the PRSC or PRGF is that these are among the types of regulations that are slated to be outlawed as the WTO negotiations move forward, particularly such agreements as the TRIPs, TRIMs and the GATS, all of which will place serious new constraints on the ability of Uganda to develop its own domestic regulation into the future.

The WTO rules being negotiated are very controversial because they have the capacity to come into direct conflict with countries' democratic decision-making, and yet the PRSC and PRGF neglect to address how such a situation might impact the ability of Uganda to develop the types of social regulations mentioned above.

The World Bank is "harmonizing" its regulatory standards with the WTO, the largest bilateral donors and other development institutions such as UN agencies. Ultimately, this process will be guided by the WTO's finalized definition of which regulations constitute "least burdensome" for investors. For example, Article VI: 4 of the GATS agreement calls for the development of any "necessary disciplines" to ensure that "measures relating to qualification requirements and procedures, technical standards and licensing requirements do not constitute unnecessary barriers to trade."

The WTO created the Working Party on Domestic Regulation to fulfill this mandate and negotiations are well underway at the WTO headquarters in Geneva. The proposed restrictions would cover a wide swath of common government regulatory measures, including many that Uganda may need to achieve its PRSP poverty-reduction goals. These GATS provisions would apply to all service sectors (top-down), not just those in which member governments have made commitments (bottom-up). They would extend to measures pertaining to professional accreditation and certification of competency, to broadcast licenses, university accreditation, hospital licensing and waste disposal permits, and to all technical standards for performing services, including those aimed at ensuring the quality of a service.

Under the proposed constraints on domestic regulation, governments would be compelled to demonstrate, first, that non-discriminatory regulations were "necessary" to achieve a WTO-sanctioned legitimate objective and, secondly, that "no less commercially restrictive alternative measure" was possible (Sinclair, 2001). There has been no analysis done by the

IMF or World Bank to determine if any regulatory measures undertaken by Uganda in pursuit of its PRSP goals will be deemed acceptable to WTO rules. If the proposed rules were finalized, this would significantly expand the authority of the WTO to interfere in the exercise of governmental authority. If governments developed regulations that failed to meet these types of constraints, they would become liable for expensive lawsuits by investors, either directly or via their home states, seeking reparations referred to as "lost planned profits."

An article about the dangers posed by the GATS to the continued role of public health services in the British medical journal, The Lancet outlines:

> The World Trade Organization (WTO) is drawing up regulatory proposals, which could force governments to open up their public services to foreign investors and markets. As part of the General Agreement on Trade in Services (GATS) negotiations, the WTO working party on reform of domestic regulation is developing a regulatory reform agenda which could mark a new era of compulsion in international trade law...The WTO intends a tighter regulatory framework that will make it more difficult for member states to keep rules that protect public services from foreign investors and markets. The ultimate aim is to increase pressure on member states to open their public-sector services to foreign investment through privatization and deregulation. (Pollack and Price, 2000).

The striking implications for Uganda are that by subjecting itself to WTO membership requirements and rules will involve transferring the delicate responsibility for balancing the public interest with commercial considerations from government representatives to appointed WTO dispute-settlement tribunals. When Uganda, as a member of the WTO, becomes bound by these rules and constraints, its ability to develop effective regulations in its economy will be severely restricted. When the World Bank and IMF suggest that Uganda will eventually develop effective regulation of its privatized and liberalized services markets, they entirely neglect important questions about how WTO rules and membership requirements will undermine Uganda's ability to do so.

The IMF and World Bank claim their loans are based on Uganda's 4 major PRSP poverty-reduction goals but they completely discount how WTO constraints will limit the ability of Uganda to develop pro-poor and pro-development regulations in the development of its economy.

5. Health: Privatization Without Regulation

The Impact of IMF and World Bank Public Expenditure Reforms on Health Care

Fiscal reforms have long been a central part of structural adjustment packages, involving public expenditure controls and, more often, cuts in spending on social services as a means of curbing budget deficits and keeping inflation low. Yet, reforms have gone beyond cutbacks in social spending and have been applied to transform the social sector from one in which the state plays a major redistributive role to one that is subject to free-market forces. The consequent decline in the state's ability to allocate resources to the social sector, as well as the general deterioration in access to affordable quality services by important population groups, resulted in a worsening of poverty and inequality. Helen Epstein and Lincon Chen explained in The New York Review of Books:

> ...Because of political instability, economic stagnation, and misguided health sector reform policies mandated by donor institutions such as the World Bank, the health workforce throughout sub-Saharan Africa has been collapsing. Doctors are severely underpaid, earning sometimes as little as $100 a month. Nurses and other staff earn far less. Low staff morale and moonlighting by government workers already severely undermine health services. During the past year, frustrated health workers in Zimbabwe and Uganda went on strike, and throughout sub-Saharan Africa trained doctors and nurses are leaving the public sector to seek better pay in the private sector, or migrating to other continents (Epstein & Chen, 2002).

The CSOs that participated in the PEAP/PRSP process in Uganda expressed concerns about the increased role of private actors in the provision of health services. Many of them had come to accept the idea that the state is not the only provider of essential services. This understanding was reflected in the PEAP where it stated that even where the government may provide a resource for a public good, it does not necessarily have to be the implementer, but that private companies or NGOs could carry these out. However, the final summary of NGO comments on the revision of the PEAP into the PRSP stated, "NGOs need to be careful that they do not end up being Government sub-contractors and compromise their independent role of being a voice for the voiceless...Too much financial dependence could bridle their tongue" (CSRC, 2000).

The SAPRI studies documented that the health sector reforms have weakened the role of the state in the sector by limiting its functions and expenditures. As a result, market forces, for which the only criterion for success is profit maximization, have been left to determine the access that much of the population can gain to key health services.

SAPRI found that, in the face of low wages and high unemployment levels, the imposition of "user fees" and the rising cost of services had increased hardships on the poor (SAPRIN, 2001). The strategy of targeting subsidies or fee waivers to benefit only those in extreme poverty had failed to address the broader problems of the poor or to stop the growth of poverty and inequality. Before health user fees were eliminated in 2001, the imposition of cost-sharing and revenue-generating schemes had created additional constraints on access by the poor to quality services. Fees for health services were found to limit access by the poor to timely care, particularly in rural areas (SAPRIN, 2001). This reality informed the hot campaign issue of the recent presidential elections in which President Museveni and the other leading candidates all pledged to abolish the health sector user fees for primary care services.

Specific conclusions from the SAPRI review of health sector reforms are as follows:

- Structural adjustment programs have led, in the worst of cases, to a sharp deterioration in public spending for health care and education, while, in the best of cases, there is inadequate improvement in spending levels. In Uganda, the only SAPRI country that has seen an increase in spending on health care, the review showed there has been no improvement in the allocation or efficient use of resources within each service sector while relative prices and transaction costs for health care have increased.
- Servicing the foreign debt has been given priority over spending for health care services. A large and, in some cases, growing portion of national budgets has been dedicated to paying off debt at the expense of social programs such as health. Where social spending has been preserved or even increased, as in Uganda's case, it has tended to be funded largely through foreign aid, which may not be sustainable. The value of education and health care as social goods that transcend benefits provided to the individual and serve the interests of society and future generations has been disregarded in the interest of satisfying creditors. Instead, reforms have redefined the role of the state in the social sectors as facilitating market functioning and providing survival support to those on the margins whom the market does not reach.
- The quality of available health care has not improved and has worsened in some regions, and large disparities persist between rural and urban areas. The rising cost of health services and medicines to patients was found to be a major factor in decisions by the poor to self medicate and delay seeking professional care, often exacerbating health problems and making treatment more costly. Particularly in Uganda, where greater public spending has increased the number of health facilities, shortages of medicines, staff and recurrent funds for maintenance have prevented an improvement in services. Furthermore, maternal health services, it was found, are limited for a majority of women in rural areas (SAPRIN, 2001).

The Politics of Health Care Budget Financing

In following the policy advice and loan conditions of the IMF and World Bank, Uganda implemented user fee charges for access to public primary health care services beginning in the late 1980s. This was part of a fiscal austerity effort to reduce overall health budget spending while also tapping into an additional source of revenues for health care financing. The user fees were tremendously unpopular and quite controversial. The World Bank conducted multiple household surveys and commissioned Willingness to Pay (WTP) surveys that it claimed showed people are willing to pay for services, particularly if their quality is improved.

However, the final summary of CSO comments on the revision of the PEAP into the PRSP stated, "Another issue where the response was mixed is health cost sharing: The regions that are economically better off seem to be positively inclined to cost sharing in health, while those not so rich see it as a burden, especially for the very poor" (CSRC, 2000).

The actual extent of the widespread opposition to paying user fees at health clinics was not made clear until the comprehensive surveys carried out by the Uganda Participatory Poverty Assessment Program (UPPAP), a component of the PEAP process. In the efforts to chronicle and document poverty, and issues around poverty, in preparation for the PEAP, the UPPAP surveys discovered widespread unhappiness about the way user fees prevented the poorest from accessing basic health care services. The evidence was so compelling that President Museveni and the other presidential candidates each pledged to do away with the fees in their campaign promises to voters during the 2000/1 presidential election.

Immediately after the user fees were eliminated, there was a massive surge in demand, with outpatient attendance rising overnight by between 50% and 100%. The high attendance rates remained steady until drug supplies were diminished, after which they began to diminish. Many understood this development, as confirmation of what the critics of user fees has long feared; that in fact the issue of the cost of the fees had been prohibiting the poorest from accessing health care. The removal of the fees was extremely popular politically in Uganda. A senior Health Ministry official claimed that the ministry had long been lobbying for the removal of the fees and that it was ironic that the fees were only abolished when it became apparent that it was a politically advantageous to do so. Today the Government is developing a minimum package of free basic health care services.

However, the World Bank and IMF as well as the WHO were "not at all amused." The IMF and the World Bank had long insisted that by having customers pay for the services, this would make them value the services more dearly and in turn, this would cause them to demand improved quality of services at public facilities, and ultimately, lead to increased efficiency of health financing.

Soon after the Government abandoned the unpopular user fees, a meeting of the Consultative Group (CG) of bilateral and multilateral donors convened for the April 2001 Joint Review. According to sources in the Health Ministry, Jim Adams, the Uganda Country Director for the World Bank, made it clear at the meeting that the World Bank felt that it was wrong for Uganda to have abandoned the fees. One Health Ministry official explained that there was a strong sense on the part of the IMF and World Bank delegations that the Health Ministry had thrown away a potentially valuable source of revenue. The official suggested there was an air of despondency among the delegations, which expressed an attitude that perhaps now the Health Ministry would be seen as beyond help, "a bad investment or bottomless pit," and it was insinuated the ability of the Health Ministry to realize its demands for future budget increases might be impaired.

Contrary to this view, preliminary results from an on-going study by a consortium of NGOs supported by DFID and coordinated by the Uganda National NGO Forum, entitled "Removal of Cost Recovery in Health: Helping or Hurting the Poor," show the revenue from cost recovery to have been negligible, except perhaps for its easy access by health workers who used it with little or no accountability.

The Health Ministry has been receiving steadily larger increases in its overall budget, including five increases between November 2000 and June 2001, increasing its portion of the national budget from 6% to 9%. However the ministry is calling for even greater increases and is seeking to eventually consume up to 15% of the national budget. However, the IMF and World Bank are wary of allowing donors to increase the Health Ministry's budget too rapidly (through the new SWAP approach to general budget support) and justify this with two primary arguments: because it might spark inflation in the economy and because too much hard currency being converted into Ugandan shillings might cause the shilling to appreciate on world currency markets, causing Ugandan exports to be less competitive in world markets.

Prof. Omaswa, a senior official in the Health Ministry, complained about these IMF and World Bank concerns limiting the necessary increases in health spending. He stated that sometimes "donor priorities are different than ours," and that the IMF had successfully convinced Uganda's Finance Ministry that the strict commitment to deflationary policies must take priority over providing adequate health care for Ugandans. "The IMF, World Bank and Ugandan Finance Ministry have decided that protecting against inflation is more important than [protecting] peoples' lives," he said, referring to the many thousands of Ugandans who die each year unnecessarily because of lack of treatment for preventable diseases and curable illnesses (Omaswa interview).

Robert Yates, a senior health economist with DFID who is supporting the Ugandan Health Ministry, explained the battle of the arguments that has followed the debate over how, and how fast, to increase the Health Ministry's budget. According to Yates, everyone starts with the premise that the ministry's budget is underfunded to meet public needs. While the World Bank had held high hopes for using fees providing an important source of revenues, now that option has been abandoned. If user fees could not be allowed to supplement health financing, the next considered alternative source of financing has been schemes for social health insurance. However, Yates explained that Harvard University's School of Public Health had commission a study of the feasibility of developing social insurance schemes in Uganda in July 2000. Titled, "A Feasibility Analysis of Social Health Insurance in Uganda," by Peter Berman and Bill Hsiao, the report concluded that Uganda ought to move ahead cautiously with small pilot programs and that this option inside Uganda would not provide sufficient health financing resources any time soon, and could not be depended upon except as a medium or long-term option for the country (Yates interview).

Therefore, with user fees and social health insurance schemes eliminated, Yates explained that the health financing needs would have to be supplied by the national budget, and with donor support.

In response to IMF claims that too much donor hard currency coming in too quickly to support the Health budget and being exchanged into Ugandan shillings would trigger an appreciation of the shilling, Health Ministry officials respond by suggesting that this would not happen. A large portion of the donor monies that are given in hard currencies are never actually exchanged into Ugandan shillings, they claim, and instead are used to purchase drugs and equipment on international markets.

Another argument made by the IMF against rapid Health Ministry budget increases is that they should first show an improvement in health outcomes on the ground before being rewarded with additional increases. The IMF and the ministry of Finance point to the most recent health indicators data and suggests that all of the recent health budget increases from 2000 and 2001 have so far failed to make any improvements in health outcomes on the ground.

The Health Ministry responds to this argument by saying this criticism of the IMF is unfounded because of the lag time that is usually involved with the receipt of budget increases and the time it takes to have results manifested in outcome indicators. The Ministry says that for most indicators, there is a lag time of a few years before budget monies spent actually show up in the health outcome indicators.

The Ministry's current Health Sector Strategic Plan (HSSP) is being re-costed at the moment and will be calling for spending at about $28 per head. Currently the World Bank is calling for $13-$15 per head. This contrasts with a December 2001 report commissioned for the World Health Organization by its Commission on Macroeconomics and Health (CMH) which calls for health spending at about $34 per head in order to "plan for adequate investments in health, allowing the world's poorest people to live longer, have more days of good health, and be able to earn more" (CMH, 2001). The groundbreaking new report titled, "Macroeconomics and Health: Investing in Health for Economic Development," argues that the links between health, poverty reduction and economic growth are much more powerful than has been generally understood. The Commissioners use clear scientific evidence to challenge the traditional argument used by the IMF, World Bank and others that health will automatically improve as a result of economic growth. Their report shows that the opposite is true: improved health is a critical requirement for economic development in poor countries (CMH, 2001).

According to the report, a drastic scaling-up of investments in health for the world's poor would not only save millions of lives annually, but would also produce enormous economic gains. By 2015-2020, increased investments by bilateral and multilateral donors of $66 billion per year above current spending would save 8 million lives each year and generate at least $360 billion annually – a six-fold return on investment! This is possible because successful disease control is one of the most important causal factors in a country's transition from a pattern of high mortality, high fertility, and low economic growth, to a pattern of low mortality, low fertility and high economic growth. As child death and fertility rates decline, the average age of populations tends to rise. These demographic changes boost overall per capita GNP, savings rates, and economic growth, and reduce the need for future foreign aid. According to the Report, only a few health conditions are responsible for a high proportion of preventable deaths in poor countries. HIV/AIDS, TB, malaria, childhood infectious diseases, maternal mortality, micronutrient deficiencies, and tobacco-related illness cause the majority of avoidable deaths every year in low and middle- income countries. The increased donor spending would be aimed at the main illnesses of poverty such as AIDS, TB and malaria, and would evolve to include increased debt relief and increased mobilization of tax revenues for health (CMH, 2001).

Privatization of Health Care Services and GATS

The UK-based NGO, Save the Children, has published a report titled, "The Wrong Model: GATS, trade liberalization and children's right to health," in which the serious concerns about the impact of WTO membership rules and requirements will likely have on the ability of countries like Uganda to develop its health sector and achieve the four key poverty-reduction goals of its PRSP. The trade liberalization agreements of the WTO have generated specific problems for children's right to health. The important point about GATS is that a country is given the discretion to decide which particular service area it wants to liberalize; in other words, there is not compulsion in the agreement for a country to sign-on to liberalize various sectors. The problem is that once a country has decided to liberalize a particular service, that decision is irreversible under WTO membership rules, so the question of wanting to change your mind "down the road" does not arise. It is an irreversible commitment.

Through its downwards pressure on tariffs and non-tariff barriers to trade, the WTO's Agreement on Agriculture (AoA) requires further liberalization of the most sensitive markets and threatens the food security of whole communities. The WTO's TRIPs agreement (on trade-related intellectual property rights) undermines the ability of developing countries to provide affordable medicines for their people. Because Uganda has been devastated by the AIDS epidemic, the TRIPs issue of greatest importance to are drug patents and whether or not Uganda will be allowed to import cheap generic copies of key AIDS drugs made in other developing countries. "A sick nation cannot do serious business," Edward B. Rugumayo, Uganda's Minister of Tourism, Trade and Industry, said (Vieth, 2001).

The Save the Children report warned that the GATS agreement poses challenges to children's right to health. While trade in services has long been recognized as a potential source of income and investment for many countries, GATS was originally conceived in order to expand business opportunities for transnational corporations. This includes foreign investment opportunities in service sectors which have a direct impact on children's health: private sector health care and health insurance companies from the USA and Europe have already expanded their operations into the lucrative markets of Latin America, while European water companies aim to gain greater market access in countries across the world (Hilary, 2001).

One key method of ensuring that the private health sector does not undermine public health objectives is through close regulation of its activities. As the World Health Organization (WHO) has attested, this is doubly important when dealing with foreign companies, especially powerful transnational corporations. However, as mentioned above, the GATS undermine a country's ability to regulate its health services by restricting domestic regulation in order to remove 'unnecessary' trade barriers. The net effect threatens to drive down regulatory standards rather than raising them to provide the best possible guarantee of public health.

The Save the Children report addressed similar threats to public health objectives under GATS "market access" and "national treatment" disciplines. Progressive liberalization of services through successive rounds of GATS negotiations requires countries to commit an increasing number of their service sectors to the market. Yet the particular conditions of market access and national treatment rules expose public health provisions to legal challenge under GATS.

Worse still, the 'lock-in' feature of GATS means that liberalization commitments are effectively irreversible once they have been made. Therefore, once Uganda commits to liberalizing an aspect of its health regulations, if it ever wants to reverse that decision later down the road, it could be threatened with expensive lawsuits by foreign service providers who could claim any effort to re-regulate the sector constitutes an "unnecessary" trade barrier or more than the "least burdensome" requirement.

Whatever the advantages and disadvantages in other service sectors, Save the Children's analysis suggests that liberalization of trade in health services is the wrong model to follow if countries wish to develop strong public health systems for all their people. In addition, "the specific provisions of GATS undermine the ability of countries to implement their own public health priorities, and the Agreement must be reformed so that national policy objectives are explicitly protected. Governments must ensure that public health concerns are guaranteed absolute precedence over the economic aspects of services trade, in order to fulfill their responsibilities to children and to society as a whole" (Hilary, 2001).

The threat to the ability of governments to provide public health care services in the face of bold moves towards privatization was underscored in an important article in the British Medical journal, The Lancet, titled, "Rewriting the regulations: how the World Trade Organization could accelerate privatization in health-care systems" (Pollack and Price, 2000). Most European health care systems guarantee access to health care as a universal right. Because of this, health care is funded either through general taxation or social insurance with the role of for-profit firms severely limited or banned altogether. "However, in order to extend rights of access for private firms, the WTO, with the backing of powerful trading blocs, multinational corporations, and US and European governments, is attempting to use regulatory reform to challenge limitations on private-sector involvement" (Pollack and Price, 2000). This effort amounts to a challenge to the principles that lie at the very heart of social welfare systems in Europe and many other countries around the world. The Lancet article underscored how countries like Uganda may find themselves prevented from developing effective regulation of their key public services:

> The new criteria proposed at the WTO threaten some of the key mechanisms that allow governments to guarantee health care for their populations by requiring governments to demonstrate that their pursuit of social policy goals are least restrictive and least costly to trade...In the largely secret and unaccountable reform process, public-service objectives could rapidly become subordinated to pro-trade policies. As Bert de Wel, advisor to Belgium's Cabinet Federal Minister of Consumer Protection, Public Health and the Environment puts it: "For us, as for many people, it sounds like common sense that if social, environmental and health aspects are on some kind of meta level, they should be considered before the common trade rules. The problem is that this is far from evident in the WTO trade logic. Even the European Commission's trade people do not see it that way." It is essential that politicians, public-health activists, and civil servants open up to public scrutiny the WTO regulatory reform negotiations and those of its working party. At stake is not just the future of local democracy, but the future of public services, and with them, the rights and entitlements that underpin the tradition of European social welfare (Polllack and Price, 2000).

Despite these serious concerns about the impact of WTO rules on the ability of countries like Uganda to actualize its poverty-reduction goals, the IMF and World Bank neglected these considerations in their designs for the PRGF and PRSC loans. This neglect stems from the favorable ideological disposition of the institutions towards the likely WTO outcomes that seek to roll back the social involvement of the state in the economy generally.

The PRGF and PRSC neglect to account for how global investors in Uganda's health services sector might impact the coverage and access to the poorest. Given the shortage of official funding from donor and domestic governments alike, increased foreign investment in health service might seem a potential benefit for developing countries. However, the commercial presence of foreign health care companies in domestic systems is counted as trade in health services under GATS, and several companies see the expansion of investment opportunities as one of their chief gains from ongoing GATS negotiations. Yet the commercial presence of such companies in the health sector threatens to exacerbate existing problems of equity, quality and capacity.

Commercialization of health services has already been shown to exclude whole communities from access to care, just as commercial considerations commonly exert a downward pressure on health service quality. Moreover, instead of adding extra capacity, the commercial presence of the private sector threatens to undermine public services by drawing away key medical personnel and 'cream skimming' the healthiest and wealthiest consumers, destroying the possibility of cross-subsidization and risk pooling on which universal access is based (Hilary, 2001).

Cuba: shifting the burden of proof

Cuba, which has never taken loans from the World Bank, is living proof in many ways that the neo-liberal dictum that economic growth is always a precondition for improving the lives of the poor is over-stated, if not false. Even in a sustained economic downturn, its record of social achievement has not only been sustained; it's been enhanced, according to the WDI. It has reduced its infant mortality rate from 11 per 1,000 births in 1990 to seven in 1999, which places it firmly in the ranks of the western industrialized nations (World Bank, 2001c). Similarly, the mortality rate for children under five in Cuba has fallen from 13 to eight per thousand over the decade.

Net primary enrolment for both girls and boys reached 100 percent in 1997, up from 92 percent in 1990. That was as high as most developed nations, higher even than the US rate and well above 80-90 percent rates achieved by the most advanced Latin American countries. This is because public spending on education in Cuba amounts to about 6.7 percent of gross national income, twice the proportion in other Latin America and Caribbean countries and even Singapore (World Bank, 2001c).

Jo Ritzen, the World Bank's Vice President for Development Policy who visited Cuba privately several months ago to see for himself, stated, "If Cuba shows that it is possible, it shifts the burden of proof to those who say it's not possible'' (World Bank, 2001c). Unfortunately, the World Bank did not hold itself to this burden of proof when designing the policy prescriptions for Uganda's PRSC.

Those who designed the PRGF and PRSC for Uganda in support of its PRSP health care goals clearly failed to learn from the important observations made by World Bank President James Wolfensohn during his trip to Cuba in April 2001. Mr. Wolfensohn extolled the Communist government of President Fidel Castro for doing ''a great job'' in providing for the social welfare of the Cuban people (Lobe, 2001). His remarks followed the publication of the World Bank's 2001 edition of World Development Indicators (WDI) report, which showed Cuba as topping virtually all other poor countries in health and education statistics. It also showed that Havana has actually improved its performance in both areas despite the continuation of the US trade embargo against it and the end of Soviet aid and subsidies for the Caribbean island more than ten years ago.

World Bank has acknowledged Cuba's successes despite recognition that its economic policies are virtually the antithesis of the World Bank's the neo-liberal orthodoxy and structural adjustment programs that has dominated the Bank's policy advice and its controversial structural adjustment programs (SAPs) for most of the last 20 years. Cuba has heavily subsidized virtually all staples and commodities, its currency is not convertible to anything, and it retains tight control over all foreign investment.

Although the attempts at charging user fees for access to primary health care services was damaging, the GATS takes this process one stage further through the commodification of health services for trade on international markets. The increased involvement of foreign companies in the health sector of developing countries threatens to raise more problems than it solves, yet these issues are not addressed in the designs of the PRSC and PRGF.

The ideological disposition of the IMF and World Bank of favoring the likely WTO outcomes has prevented the crucial issues of health care from being adequately addressed in the designs of the PRGF and PRSC. In a recent review of how well health issues are dealt with in countries' PRSP processes, the Dutch NGO Wemos and the British group Medact, noted: "PRSPs fail to identify and challenge the hindrances that international policies may have on health or national poverty reduction strategies...The international trade agreements under the WTO regime, like the TRIPS and GATS agreements, need to be assessed on their potential health impact before being implemented in national regulation and policies" (Verheul and Rowson, 2001).

6. Water: Privatization Without Regulation

While ownership of the Water Supply and Sanitation (WSS) assets will remain in the hands of the Government, the World Bank's PRSC plans to privatize the operations of WSS service in urban centers and have the services provided by management contracts with local or international private operators. There is a three-year plan to provide upgrades to the national water utility in order to prepare it for eventual privatization. The PRSC-I "Policy Matrix" annex, which outlines the policy steps, prior actions and projected outcomes over a three-year period, lists one goal of water sector reform as "private sector based maintenance strategy and cost recovery operational in most districts". Among these preparations for eventual privatization is achieving financial "full-cost recovery" from consumers, whose increased rates are to finance the capital necessary for system improvements.

Ostensibly, the idea of seeking private foreign investment is to attract the necessary foreign capital investments needed to finance systemic improvements. However, this is not what is happening. Under World Bank water sector reforms, it is the end-use paying customers of the water service who are expected to pay for improvements, and then to have the profitable entity then sold to foreign investors. Once water consumers have financed these system improvements, the more profitable national water utility will then be sold or have its operations contracted to the highest bidders among private foreign investors.

The World Bank's water sector reforms seek to "unbundle" the cross-subsidies that have long been built into the price/tariff structure that were designed so that wealthier customers could subsidize the costs for poorer users. This "unbundling" will eventually allow private foreign investors the opportunity to pick and chose among the water sector's most profitable markets for bidding on management contracts or other concessions, but will leave the poorest water consumers without subsidized rates, thus making water unaffordable for many of them. The World Bank cannot cite any examples of its water sector reforms in any countries as having contributed to lower consumer prices or expanded access for the poorest citizens. It is not clear how such outcomes are likely to support the PEAP/PRSP's goals of poverty-reduction.

As underscored by recent outbreaks of cholera in South Africa and the reemergence of guinea worm in Ghana in the wake of increased water prices, any decrease in access to affordable, clean water will have a direct negative impact on achieving poverty-reduction goals, but the PRSC neglects this critical connection. While the PRSC claims privatization of the water service operating contracts and the national water & sewage utility will help achieve the goal of increasing access to safe water and sanitation from 50 to 65 percent, there is no evidence to suggest that private operators can achieve these goals any more effectively than can the public sector. In most countries where private operators have taken over service, maintenance and management contracts in the water sector, operators have ended up raising prices for consumers and actually putting access to safe and clean water further from reach for the poorest people.

The SAPRI study on other utility privatizations noted, “The anticipated increase in efficiency of utility companies, when it did occur, in most cases did not result from improved operations. Rather, the ratio of revenue to expenses rose as a result of price increases facilitated by virtual monopoly situations and weak government regulatory mechanisms” (SAPRIN, 2001). While the foreign investors preparing to bid for the management and servicing contracts for Uganda's water supply are certainly looking forward to increased prices, this outcome will likely contradict efforts at achieving poverty-reduction when the poorest are unable to afford access to clean water.

If the water privatization process turns out as badly as the electricity reforms, then there is a serious reason for concern. Through 2000 and 2001, Ugandan electricity consumers have suffered through prices increases, which are projected to reach 300%. As the poorest are unable to afford electricity, people will resort to illegal hook-ups or resort to alternative fuels, most of which has negative impacts on the environment and food security.

For example, as more people are resorting to using wood fuel and charcoal, concerns about the increased rates deforestation and soil erosion have led to warnings issued by scientists at the International Research Institute for Climate Predictions at Columbia University in New York. They warned that the recent price hikes in electricity rates were causing Ugandans to “cut down forests for fuel" as they could no longer afford power (Sserwaniko, 2001). The environmental side effects of deforestation, such as soil erosion and desertification, can accelerate climatic changes that will threaten Uganda's food security. This is particularly important given that such a large number of the workforce is dependent upon agricultural production for their incomes. For an economy that depends on a stable environment for its agriculture, the electricity price hikes potentially undermine the PRSP's poverty-reduction goals.

If the price hikes slated for the water sector are at all comparable to the current experience with electricity privatization, then serious health threats to affordable, clean water may undermine the likelihood of achieving the PRSP's poverty-reduction goals. Those at the World Bank and IMF who designed and the PRSC and PRGF failed to note these and other important environmental and social linkages between price hikes for power and water and the absolute need of the poorest to be able to access affordable electricity and clean water.

Water: The Devil is in the Contract Details

While CSOs were allowed to provide input during the PEAP/PRSP consultations, they were not asked if public provision of essential services should be privatized. Matters such as access to the clean, affordable water for the poorest people are so important that the issue whether or not to privatize utilities should have been brought up for discussion in the PEAP process, not be issued as a fait acompli by future loan conditions as with the PRGF and PRSC. Many NGOs felt that these are vital matters affecting the civic welfare of the entire country and should have been debated in the PEAP consultations as well as in parliament and in the media and in public well in advance, not decided on in private negotiations amid other loan commitments in secretive negotiations between the Government of Uganda and the World Bank and IMF.

Other vital pieces of information that civil society or the public were not given access to are the precise details of the contracts awarded to those foreign water companies who have been bidding on the management and services contracts in Uganda's water sector. Crucial questions about the price guarantees for investors remain: if the inflation occurs or the currency devalues or other exogenous economic impacts negatively affect returns to the investor, what happens? Will the investor settle for less profit, or will rates be increased to meet agreed profit guarantees? If dramatic price hikes occur and have negative impacts on the poor, what political recourse do civil society groups or Parliament have to correct the crises? Will the Government do anything to protect the poor? Once foreign private operators are competing with the Government in the water markets, will not GATS rules and other constraints prevent Uganda from enacting social safeguards such as price caps?

Given the current level of documented corruption in Uganda's other privatizations, can the IMF and World Bank guarantee that the proceeds from the contract awards will not be stolen? These questions and others were neglected in the design of the PRGF and PRSC. The contract details determine the fate of public goods such as the equitable provision of electrical or water services, and yet they are decided upon in secret and then not disclosed to the public, undermining the PRSP's promise of informed public participation in the poverty reduction strategy.

7. Education and the Politics of UPE

Following the policy advice and loan conditions of the IMF and World Bank in the late 1980s, Uganda implemented a system of charging user fees for access to public primary school. Similar to the issue of health care user fees, this was part of a fiscal austerity effort to reduce overall education budget spending while also tapping into an additional source of revenues for education financing. The user fees for primary school were tremendously unpopular and quite controversial, preventing millions of poor children, mostly girls, from attending primary school and undermining the country literacy goals. The World Bank conducted multiple household surveys and commissioned Willingness to Pay (WTP) surveys that it claimed showed parents were willing to pay for school services, particularly if their quality is improved.

The user fees policy continued until 1997, when the Government abruptly ended the practice and announced it would provide free primary school education for up to four children per household in Uganda with a new effort called Universal Primary Education (UPE). Overnight enrollment of primary school education skyrocketed, more than doubling from roughly 2.5 million to 6 million. The dramatic increase in attendance rates remained steady until drug supplies were diminished, foreshadowing what would later happen in 2000 when user fees in the primary health clinics were abolished. As with the abolition of health user fees, many understood the significant increase in enrollments as a confirmation of what the critics of user fees has long feared; that in fact the issue of the cost of the fees had been prohibiting the children of the poorest from getting educated. And as with the health care, the removal of the user fees in education was extremely popular in Uganda.

After user fees were abandoned, public spending substantially increased on education since 1997, particularly at primary level with allocation of over 30% of Government discretionary recurrent expenditure to education, out of which 70% is allocated to primary education. Education expenditures averaged 1.5 percent of GDP during 1989/90-1996/97, and since 1996/97 there has been an increase to 2.5 percent following the implementation of UPE. This was possible following increase in resources made available by the donors, debt-relief proceeds from the Poverty Action Fund (PAF), and increases in domestic revenue (MSE, 2001).

One of the reports in the series of SAPRI studies for Uganda, titled "The Impact of Public Expenditure Management under SAPs on Basic Social Services; Health and Education in Uganda," observed that although the user fees for primary education were eliminated, the cost of secondary and tertiary education is still prohibitively high and is significantly being borne by parents (through provision of many items). This limits access of poor sections of society (MSE, 2001). Other findings included:

- There has been improvement in number of teachers, classroom and textbooks since 1997 financed by the increase in public resources. However, the increases continue to be overwhelmed by upsurge of enrolled numbers following implementation of UPE.
- Since 1997, primary education service provision has continued to be overwhelmed by the surge of students following the implementation of UPE.
- Public spending on education prior to 1997 was inefficiently allocated and targeted: Government spending per student is skewed towards beneficiaries at the upper levels of education.
- Prior to 1997 poorest sections of the population benefited less than the richest, with disparities between the poor and rich worsening with increasing level of education. Burden of the cost of education was borne by parents to the detriment of poor. While UPE reduced this burden, it still exists at secondary and tertiary levels of education.
- The UPE policy increased primary enrolment mainly from the poor segments of the population that previously had not had access. However, the increase overwhelmed existing facilities such as classrooms, teachers and textbooks resulting in poor input/pupil indicators.
- Since 1997, there has been significant increase in public resources to primary level education (receiving 70% of discretionary recurrent expenditure) allowing for procurement of classrooms, teachers and textbooks. There is now sustainable financing of these inputs in years to come to improve sector indicators (MSE, 2001).

The final SAPRI synthesis report noted that despite the positive effects of the UPE initiative, "student-teacher ratios have increased and coverage has improved at the primary level while quality has worsened as the increase in teachers and materials has not kept pace with the dramatic rise in enrollment" (SAPRIN, 2001). Oxfam reported, "Access to education has dramatically increased under the UPE program, but in 1999 one quarter (1/4) of all pupils failed to pass their final examinations in primary education. The ratio of pupils per classroom is still far from the targets included in the PRSP and, generally, it is acknowledged that the progress in delivery of key services is uneven" (Oxfam, 2001). It should be noted that these major transitions will be occurring over time and further improvements in these ratios are expected.

To deal effectively with the massive demand for free primary education, the PRSC supports recruitment for more teachers, training for teachers, increased textbook supply, and "increasing the efficiency" (privatization) of primary school construction in an effort to speed the process of construction. Concerns among NGOs include the labor related issues regarding the recruitment of lower-paid, non-unionized new teachers and the effect they will have on existing civil servants and teachers.

8. Trade and Price Liberalization

De-industrialization

According to the SAPRI studies, both separately and together, structural adjustment measures have had high social costs. Sectoral reforms in such areas as agriculture and mining, as well as labor-market "flexibilization", have depressed working conditions and employment and caused other social dislocations that have led to extensive migration. Financial-sector reforms and the precipitous removal of import barriers have undermined small and medium-sized producers and torn at the heart of economies and the social fabric. Privatization and agricultural and other sectoral reforms have concentrated productive resources and wealth, while the increased costs of health, education and other essential services have contributed to the sharp decline in the well being of the already disadvantaged.

Profits and the concentration of income have increased markedly as wages and employment among the lowest-income groups have dropped significantly. Perhaps the impact of these reforms that has had the most far-reaching social consequences is their destruction of national productive capacity.

Financial deregulation has diverted capital to speculative, consumptive and other non-productive activities. Much of the productive investments that have been made have been in the export sector, including export-processing zones (EPZs) or assembly enclaves, which lack significant linkages to the domestic economy. These policies have brought about what is called "de-industrialization," or the disarticulation of national economies (SAPRIN, 2001).

The combination of the rapid influx of cheap goods due to premature trade liberalization, the lack of access to affordable credit, a decline in incomes and purchasing power due to labor-market and other adjustment measures, and the removal of government supports have wiped out massive numbers of farms and enterprises that have employed large portions of the population. Lower-skilled, lower-income people have been particularly hard hit in this regard, and many have migrated abroad or moved into the informal sector, crime or other survival modes (SAPRIN, 2001).

It was felt that liberalization "may be killing local manufacturing, textiles being a case in point" (SAPRI, 1998). To begin with, information about the process and the policies has been limited, and, since they were pursued rapidly without broad consultation, local people are unaware of what exists and are thus unable to respond effectively; a more gradual approach was needed. Furthermore, high interest rates have discouraged small-scale enterprises, and stipulations in the investment code, it was argued, also effectively exclude local business. Finally, liberalization policies have not been supported by other necessary programs such as skills training. (SAPRI, 1998).

NGOs have complained that trade liberalization is made more difficult by the simultaneous implementation of other liberalization reforms such as subsidy cuts. This has resulted in

Ugandan companies having their subsidies cut at the same time they are facing increased competition from cheaper foreign imports, many of which are often subsidized by their governments. For example, Uganda's Minister of Tourism, Trade and Industry, Edward B. Rugumayo, has complained that the country's 5 million farmers have been hurt by imports of grains and oil seeds from the developed countries that are heavily subsidized by their governments, while at the same time First World trade barriers restrict exports of Uganda's agricultural products (Vieth, 2001).

Regardless of these concerns documented by the SAPRI studies and others, the IMF and World Bank continue to make the new PRGF and PRSC conditional on further trade liberalization. The PRGF is calling for the continued liberalization in the sugar and textiles industries.

The Impact of Trade and Price Liberalization on Agriculture and Small Enterprises

The policy package of trade liberalization reforms for Uganda has included the elimination of price controls, the abolition of marketing boards, the reduction or removal of export taxes, the elimination of import controls, and the liberalization of interest rates and the capital account. According to the SAPRI studies done on trade liberalization in Uganda, these reforms have led to a steady growth in agricultural output (in part through the expansion of land under cultivation), including food production, as well as crop diversification and increased food security. However, that the terms of trade for food producers had fallen, that there have been negative effects at the local, or household level, and that poor rural physical and financial infrastructure has limited the benefits of liberalization.

CSOs that participated in the PEAP process pointed to other problems associated with the liberalization of the sector. The government has not consulted local producers in the process of policy formulation and has instead imposed policies that do not address micro-level dynamics. With the elimination of government extension programs, farmers have been left ignorant of current world trends and prices for crops and thus are vulnerable to exploitation by these middlemen. This problem has been exacerbated by the displacement of small-scale traders, reducing competition in the sector. In addition, with the liberalization of input markets, private traders now play the role of extension workers, advising on farming methods such as the use of chemicals. There have been disastrous consequences, pointing to a need for a program to promote organic fertilizers and sustainable farming methods (SAPRI, 1998).

While it is true that productivity has certainly increased, farmer representatives have also argued that such increases in production may have been due less to liberalization policy than to such political factors as the establishment of peace and security between 1987 and 1995, with overall yields recently declining due to a degraded environment and the abolishing of barter trade. Trade liberalization, it was pointed out, has not contributed to turning the terms of trade in favor of agriculture. Relative prices have not improved for producers in spite of increases in farm-gate prices (SAPRI, 1998). Instead, agriculture and rural investment are heavily taxed, in effect, through high transport prices, due in turn and in good part to impassable roads. "Petty trading has become a more profitable pursuit, with transport owners profiting from a retail-price markup in Kampala that can reach ten times the farm-gate price. Reduced profitability for agricultural producers contributes in large part to the very high poverty level in villages. As a result, participants said, liberalization is benefiting urban dwellers and not farmers" (SAPRI, 1998).

The situation is distinct for different crops. The increase in coffee export volumes is not so much due to greater cropping, it was argued, but to a reduction in smuggling. Cotton farmers from outlying areas, such as Arua, either cannot find a market or have to sell their crops at give-away prices. Improved seeds on the market for sale for the production, for example, of groundnuts do not germinate, there being no control over the sale of non-productive seeds to farmers, nor a program to control diseases that have emerged with the introduction of these seeds. Meanwhile, indigenous crops, such as millet, are becoming extinct because of the desire, it was explained, to produce money-earning crops like bananas and maize. As a result, despite the government's view that there is an abundance of food, malnutrition is increasing in Uganda, according to civil-society participants (SAPRI, 1998). Furthermore, since women continue to produce the lower-income crops, it was argued that liberalization and privatization have benefited men more than women.

Economic Growth Based on Coffee Exports

According to the PEAP/PRSP, 7% GDP growth per annum is required to meet poverty-reduction goals by 2017 and massive coffee exports are the prime engine of the country's economic growth. The PEAP/PRSP bases the budgetary funding for its poverty-reduction goals on Uganda's achieving approximately 7 percent GDP growth over the next several years, with concomitant public investment and public savings rates tied to these high growth projections.

However, regarding the ability of Uganda to sustain its high growth rates, the PRSC states: "Output and exports continue to be dependent on agriculture, which leaves Uganda vulnerable to droughts, plant disease and commodity price fluctuations. Changes in coffee prices are of particular concern because over half of Uganda's export revenues come from coffee and Uganda's high economic growth rates in the past decade were partially driven by temporarily high international coffee prices" [emphasis added](P.4). The use of the word, "temporarily" underscores the explicit understanding that any growth from commodity exports can be expected to be short-lived. Given this understanding, one would think those interested in Uganda's development would be actively engaged in seeking ways for Uganda to diversify its economy and remove itself from a heavy reliance on commodity exports. The World Bank neglects this as a major policy priority for poverty-reduction.

The PRSP/PEAP document was concluded in 2000, just as coffee prices began to fall in international commodity markets. The PRSC was completed in April 2001, after a deepening fall in coffee prices had clearly set in. By May 2001, coffee prices had plummeted to a 20-year low and in 2002 they remain at a 30-year low. The coffee price collapse will have a severe negative impact on the ability of Uganda to generate anticipated revenues from the key agriculture sector in the economy. This development underscores a fundamental flaw in the general neoclassical approach to export-led development models for developing countries. In line with neoclassical deregulation principles, international efforts were launched in the 1980s to do away with the international minimum price agreements on major commodities, allowing prices to plunge to record lows and removing a basic level of protection for the world's commodity producers.

Sergio Amaral, president of the Association of Coffee Producing Countries and the Brazilian ambassador to the UK, explained in the Financial Times, that four key reasons contributed to the fall in coffee prices:

> The first is the liberalization of coffee markets as a result of the collapse in 1989 of the agreement that established export quotas between consumer and producer countries. Second, there has been a clear trend towards privatization of coffee boards and federations in many producing countries as well as a concentration of the trading and processing of coffee in the hands of a few large multinational companies. Third, gains in productivity and devaluations in response to financial crises have played an important role in undermining world coffee prices. Last, the expansion of coffee production in some countries and the appearance of many newcomers to the market have led to overcapacity (Amaral, 2001).

The result is well known. Amaral explained that in the past five years, average annual coffee supply in world markets increased 3.6 per cent while consumption expanded by a mere 1.5 per cent. From 1997 to 2000, stocks held by investors and traders in consuming countries doubled, while prices tumbled from 134 cents a pound to 50 cents. In the meantime, producer countries have lost out as consumer countries have developed their own exports: last year, the US imported 24.5m bags and re-exported 2.4m, more than half of which were roasted and soluble coffees. The European Union imported 46m bags and re-exported 13m, half of which were roasted and soluble product. In the 1970s, the US imposed non-tariff barriers on soluble coffee imports; the EU raised a 9 per cent tariff on soluble coffee imports. These measures amount to import substitution: industrialized countries have created barriers to protect their industry, which now supplies their domestic markets and exports. These are measures, which the IMF and World Bank would never allow Uganda to do for its own industries (Amaral, 2001).

Amaral cited as another problem the share of profits. While the World Bank and Uganda's PRSC claim that the small coffee producers have been among those to gain by increased exports during the 1990s, according to Oxfam, farmers receive about 20 per cent of the retail value of coffee in supermarkets. In some cases, however, the figure can be as low as 6 per cent. Roasters in consumer countries, by contrast, capture about 30 per cent of the profit through reduction of costs and industry consolidation. In the case of soluble coffee, Nestle now controls about half of the world market (Amaral, 2001).

Regarding the obvious need for a national economic diversification plan, the March 2001 IDA-IMF Joint Staff Assessment Progress Report on Uganda's PEAP/PRSP notes the terms of trade shock (fall in coffee prices) had already begun and concludes the price collapse for coffee, "highlights the need for a further diversification of the economic structure to reduce vulnerability to commodity price shocks" (p.8). However, it makes a very important, unqualified and unsubstantiated assumption when elaborating: "Increased diversification can take place only through significant increase in private sector investment, however" (p.8). This suggestion neglects the long-standing use of strategically targeted state subsidies for research and development used by the industrial countries for much of the last 150 years, as well as similar state policies for economic diversification successfully employed by the "Four Tigers" of Asia over the last five decades. Such a statement by the JSA is indicative of the World Bank's ideological bias against the state and in favor of the private sector. The JSA provides no qualifications to the statement as to reasons why the state would be incapable of effectively promoting diversification away from a dependency on agro-exports.

Uganda's private sector itself is finite and quite small. What the World Bank means by "private sector investment," is private foreign investors, primarily multinational corporations. The actual assumption is that Uganda's economic diversification can only be led by foreign corporations, whose primary purpose for investing in Uganda is to repatriate profits out of Uganda and back to First World shareholders. The World Bank implicitly excludes the option of making a serious commitment towards improving the state-run industries and state-provided services, and leaps to the conclusion that MNCs ought to take over these functions.

Regarding economic diversification, the idea of allowing the state to provide support or protection for Ugandan companies' diversification efforts is glaringly absent from World Bank advice and policy prescriptions. The World Bank neglects entirely the fact that the industrialized countries have used trade protection and state supports for research & development diversification efforts for their own domestic industries for 150 years, and continue to do so today. The World Bank's anti-state bias informs its operative assumptions regarding Uganda's possible economic diversification: that it be led by private, foreign MNCs, and barring this, Uganda shall remain a basic commodity producer.

The World Bank and the IMF exhibit a tendency to frame the discussions of it policy programs within a country, and rarely are other important questions considered such as exogenous features in the global economy. For example, regarding coffee production for export, the World Bank advises Ugandan farmers to take steps to increase their productivity to become more competitive. However, when crafting a plan for long-term poverty reduction, does it make sense to advise Uganda to increase coffee production if world markets are already flooded with too many poor nations attempting to sell too much coffee? Further, more troubling is the question of why the World Bank would advise Vietnam to greatly expand its coffee production throughout the 1990s at a time when Central American and African countries already earn such low prices for this commodity.

9. Agriculture: Privatization Without Markets

The Economic and Social Impacts of Agricultural Sector Reform

Agricultural-reform policies have been implemented as part of the structural adjustment process in countries such as Uganda where agriculture plays an important role, particularly in terms of exports. Uganda's reforms have generally included: removal of subsidies on agricultural inputs and credit; liberalization of producer prices; privatization of state entities involved in marketing and the distribution of inputs and produce; liberalization of trade in agricultural inputs and commodities; and currency devaluation.

The SAPRI studies of the impacts of Uganda's agricultural reforms reported that agricultural productivity has increased. At the same time, however, the studies revealed that the reforms had differentiated impacts along socio-economic lines, increasing rural inequality. The real income of most farmers, particularly small-scale ones, either did not improve or deteriorated, generally as a result of price increases for farm supplies. Only those producers with previous access to resources and economies of scale were able to benefit. Food security -- meaning access to adequate and nutritious food by all people at all times -- worsened. In addition, environmental degradation resulted from new production patterns (SAPRIN 2001).

SAPRI reported that agricultural reform has not improved the income of farmers overall. This has primarily been due to cost increases associated with agricultural production (i.e., seed, fertilizer, irrigation and equipment), as production costs tended to remain higher than income from sales even in those cases where produce prices increased. Small-scale farmers were particularly affected because, as a result of the reforms, production subsidies were removed, public expenditure on extension services declined, and obtaining credit became more costly. In addition, liberalization increased the reliance of these producers on middlemen who market both farming supplies and produce. This increased the costs and lowered the income of these farmers, whose marketing options are limited as a result of inadequate infrastructure and lack of resources (SAPRIN, 2001).

In Uganda, differentiated access to productive resources, roads and markets for various groups of farmers conditioned their response to the price incentives for export production created by agricultural liberalization. For instance, increased producer prices for coffee benefited only those farmers with the land and other resources to expand coffee production. Small farmers with limited land were unable to take advantage of such opportunities, and they fared worse since they faced the same increases as large-scale farmers in the cost of inputs. Differences in regional development within the country were another important factor that led to differentiated impacts and tended to exacerbate existing inequalities (SAPRIN, 2001).

The agricultural reforms have exacerbated inequalities and led to further environmental problems. Export promotion, import liberalization and the withdrawal of government support in the agricultural sector have served to reinforce differentiated access to resources for production. Where exports have expanded and earnings increased despite being subject to world price fluctuations, much of the economic benefits have accrued only to large-scale producers, as small farmers lacked equal opportunities to enter and gain within a liberalized market (SAPRIN, 2001). Constraints such as lack of rural infrastructure, particularly in more remote areas were the poor are concentrated, were inadequately addressed in the reform process. In addition, the concentration of land use for large-scale production of export crops has replaced cultivation of food crops for local consumption and has tended to push small farmers to overexploit marginal-quality land. These new patterns of agricultural production have polluted land and water with chemicals, depleted water tables through irrational use of irrigation, led to loss of biodiversity, caused soil erosion and exhausted vital natural resources (SAPRIN, 2001).

Despite these concerns being documented in the 5-year SAPRI study of Uganda's reforms, the World Bank's PRSC has neglected the issues of growing urban rural inequality stemming from the negative impacts of the agricultural reforms.

The Plan for the Modernization of Agriculture (PMA)

The PMA is designed to begin being implemented under the second PRSC loan, PRSC-2. The Government of Uganda's Letter of Intent (LOI) with the PRSC-1 document states that it cannot yet begin working to achieve the PRSP's third major goal (actions which will directly increase the ability of the poor to raise their incomes) because its "major delivery vehicle" is the PMA, which is still being designed. The PMA is expected to "deliver effective research and extension solutions to farmers and improve access to rural finance and markets...By the time that PRSC-2 and PRSC-3 come on stream, we envisage that we shall be in a position to deliver a properly focused view of our completed and intended actions and output targets" (p.14).

The PMA was not discussed in the public consultations with CSOs in the PEAP/PRSP process and today the plan is being run by a secretariat responsible to the Ministry of Finance, not the Agriculture Ministry. Because the PMA was not yet available before the completion of the PEAP/PRSP process, those CSOs involved in the drafting the poverty-reduction goals were not yet able to incorporate details of the PMA in the poverty-reduction strategy. This lack of CSO input on the plan's design and fact that the PMA is being administered more by the Finance Ministry and not the Agriculture Ministry is worrisome to some CSOs. Those interviewed believe that the social impact on small farmers will be subordinated to the interests of higher productivity rates and increased efficiency.

Some of the major components of the PMA include:

1) agricultural research and increased support for the National Agricultural Research Organization (NARO);
2) the Government will abandon its traditional public provision of agricultural extension services to small farmers and this will be replaced by the National Agricultural Advisory Services Program (NAADS), which involves charging user fees to small farmers for agricultural extension services (weather information, crop prices, farming improvement techniques, livestock consulting, etc);
3) the Government will move out of providing credit or small business loans to small farmers have replace this with a system of interest-charging, private microfinance operations. The draft Aide-Memoire regarding the proposed PRSC-2 designs, from a World Bank pre-appraisal mission in October 10-31 2001, stated, "The primary policy issues center around the strategy of Government withdrawal from the direct provision of credit, as stated in the PMA" (p.15);
4) plans are being developed to further privatize the coffee markets and the Coffee Sector Development Strategy is being designed;
5) the Land Sector Strategic Plan (LSSP) attempts to conduct important work related to land policy and developing a legal framework for it. It attempts to correct deficiencies in the 1998 Land Act by getting land and property demarcated and titled and adjudication proceedings for settling disputes about the rights of owners, tenant farmers, and squatters.
6) assistance grants will be allocated to sub-district level governments and communities are to hold public consultations on what improvements to use the grant finances.

The PMA and Gender

Because the Land Act failed to include the possibility for women to own land, it was deficient in its aims to assist poor farmers, since women provide in aggregate 75 percent of total agricultural labor and over 80 percent of labor in food crop and non-traditional export sectors. The Land Sector Strategic Plan (LSSP) is attempting to incorporate changes that will allow women to overcome the socio-cultural and economic barriers that inhibit their ability to own, buy and sell property, although this has not yet been included into the LSSP.

Women's groups and NGOs such as the Council for Economic Empowerment for Women of Africa (CEEWA) have been involved in incorporating gender issues and perspectives into the policymaking process in the development of the NAADS and LSSP. However, serious concern remains over how strongly new protections for women’s rights will be enacted or enforced. Beyond legal rights, a host of sociological and gender issues negatively impact women. Most women small farmers are neither literate or numerate, and lack the skills to negotiate adequate prices for their crops in private markets, and are particularly vulnerable when they lack information that will only be available through the increased charges for private extension services (Nakafeero interview).

Angela Nakafeero of CEEWA highlighted two major contradictions of the PMA. The first is that women have access to land because women comprise 70-80% of all small farmers, however officially women only own 7% of the agricultural land. She noted that "access" is not the same as "ownership" and that many women farmers work the land that is officially owned by their fathers, husbands or brothers, even when the males are absent or dead. The cultural tradition of strict patrimonial land ownership patterns needs to change drastically but the PMA has not clearly designed ways for such changes to be included. Therefore, although the PMA is ostensibly designed to help small farmers improve their incomes, it neglects that the vast majority of small farmers are women with special gender issues that must be addressed (Nakafeero interview). A second contradiction is the grants program that provides funds to the sub-district governments for agricultural improvement projects. She notes that first the World Bank told the Government to eliminate various forms of state subsidies to small farmers, yet now it is promoting virtually the same thing with these PMA sub-district grants (Nakafeero interview).

The Joint Staff Assessment (JSA) Progress Report for Uganda's PRSP noted: "While gender disparities in participation in decision making and access to services have decreased, other gender inequalities remain. The subsistence food crop farmers that constitute the largest group of the poor are predominantly women. In the view of the staff, it is important that the implementation of the Plan for the Modernization of Agriculture (PMA) in particular attempts to alleviate constraints faced by these groups." Ugandan NGOs and particularly women's organizations are strongly encouraged to scrutinize the PMA recently approved by the Parliament to analyze its likely effects on women farmers. More complex sociological issues related to gender inequality and justice issues were not discussed in either the PEAP/PRSP or the PRSC.

The SAPRI study on the impacts of agricultural reforms in Uganda noted that the design of reforms did not take into consideration gender issues and have had substantial differentiated impacts on men and women. The existing gender-based division of labor, access to and control of resources (e.g., land and credit) by women, and the position of women in different cultures were found to be important factors determining how women have been affected differently than men as a result of agricultural policy reforms. In Uganda and Zimbabwe, for instance, women have a primary role in agriculture among smallholders, mostly in the cultivation of food crops, while they tend to face discrimination in access to credit and land ownership. The problems faced by smallholders as a result of reforms and the intensification of production for export in these countries have placed greater burdens on women, who tend to be responsible for household food consumption in addition to their domestic and childrearing responsibilities, while men have sought wage labor or cultivation of cash crops to supplement family income (SAPRIN 2001).

Capital-Intensive Agricultural Modernization Privileges Private Foreign Investors

Ultimately the PRGF and PRSC reforms are based on more modern mechanization of agriculture and other capital-intensive inputs, all processes that will benefit few relatively larger agricultural companies at the expense of small farmers. Such reforms benefit the largest exporters, primarily international investors, because they have the capital available to invest in more efficient, expensive machinery and fully exploit the economies of scale vis-à-vis smaller producers.

The PEAP/PRSP did not detail land reform proposals and land use issues. As more of the country's best agricultural lands are used for export crop production, less land has become available for local food production for local food markets, which is driving up the prices, availability and access to a sufficient variety of affordable foods. This is especially so in the poorest agriculture regions in the north and eastern part of Uganda, where local food production has decreased the most. In contrast, in 2001, too many farmers over-produced maize for export and flooded the domestic markets as well, bringing prices to near-record lows and devastating farmers' incomes. The neoclassical model suggests that it is more efficient for farmers to use land to produce export crops and use the proceeds from those sales to then buy more expensive imported food. This assumption must be reconsidered in the wake of deepening food insecurity crises where local food production has been displaced by land use for export crop production.

The PMA and the WTO

As with health and water sector reforms, the agricultural sector reforms of the PRSC also neglect to take into account the impact of WTO rules and membership requirements. Many of the same concerns over the new regulatory and legal constraints on the ability of the Government to support or protect its domestic industries that have been mentioned above will also clearly apply to Uganda's agricultural markets.

Concern among CSOs about the negative impacts on African agricultural economies of trade liberalization and further trade reforms being negotiated within the various WTO agreements led to international coalitions of activists raising concerns, particularly with the TRIPs agreement and its likely impact on the ability of small farmers to legally use their own seed varieties. In the United States this has culminated in the November 2001 Congressional resolution introduced by Rep. Maxine Waters called the "AFRICA resolution: Agriculture and Farm Resources for the Indigenous Communities of Africa" (H. Con. Res. 260), which is in an effort to uphold the rights of African farmers over their seeds and food crops.

Backed by WTO laws over patents and Intellectual Property Rights and drafted with strong input from U.S. trade negotiators, multinational corporations are increasingly laying claim to food crops and medicinal plants in developing countries that have been used by farmers and local communities for countless generations. Patents on African agricultural resources threaten the ability of local farmers to freely safeguard, access, use, save, exchange and sell their seeds and crops. Patents put local food security and farm income at risk by taking control of traditional resources away from local farmers. Small-scale farmers in Africa fear that commercial monopolization of agricultural resources by outside interests together with the promotion of herbicides; pesticides and other industrialized agricultural inputs by those same parties may cause long-term harm to bio-diversity. They also fear that these practices will encourage an industrial type of agriculture ill suited to their own farming practices and patterns of land ownership.

The AFRICA Resolution is based on an initiative by the Organization of African Unity (OAU). It expresses African farmers' rights to safeguard, access, use, exchange and share their agricultural and biological resources should be upheld under international trade law. The resolution is consistent with the position of the Africa Group of delegates to the World Trade Organization (WTO) that seeds, plants, crops and other agricultural genetic resources should not be patented. While these remains a serious concern for Uganda's small farmers, many who have spent generations selecting for specialized local seed varieties, the PRGF and PRSC neglected to have the PMA address these concerns and how such concerns may impact the ability of Uganda to achieve its poverty-reduction goals.

The PMA: Setting Up Small Farmers For Failure

Several CSOs in Uganda such as the Food Rights Alliance, CEEWA and Action Aid Uganda have expressed concerns about the liberalization and privatization of agricultural services. The majority of small farmers in the rural areas of the countryside do not have the technical skills or professional connections to take advantage of markets. The tea and sugar producers are comprised of mostly larger plantation operators, but for coffee markets most of the producers are small farmers.

The National Farmers Association has projected that 95% of Uganda's small farmers will be unable to afford the full costs of the agricultural extension services in the new NAADS program. Many CSOs are concerned that small farmers will either go without the increased costs for extension services or go deep into debt and ultimately lose their plots in efforts to finance such services. These small farmers will then move on to find work as wage laborers on large plantations or leave agriculture altogether and move into the cities in search of better paying employment.

One area of unanimity among CSOs and government officials in Uganda was that the main problem with the PMA effort to liberalize agricultural markets is that the majority of small farmers lack access to domestic markets for their crops, such as rural roads and basic infrastructure. Even some donors, such as Ms. Hanne Carus of the Danish Embassy's Development section (DANIDA), discussed the widespread acknowledgement that small farmers lack access to markets and that this has not been adequately addressed in the design of the PMA. A major problem with Uganda's underdeveloped domestic markets is that there does not yet exist sufficient market demand or purchasing power among consumers to build large domestic markets and therefore Uganda will likely remain dependent on selling its agricultural exports in foreign markets. As a consequence, a larger problem with the PMA is not only that small farmers lack access to domestic markets, but also that there are not adequately developed markets yet in existence for them to access.

Contrary to the whole thrust of the PMA as a long-term way for small farmers to increase their productivity and incomes and reduce poverty, Ms. Carus suggested "there is a need for serious economic diversification away from agricultural production first before there can be the market demand." With too many small farmers and too few consumers with cash to spend, Ms. Carus suggested that people need to move out of agriculture and into other wage jobs in which they could earn cash that would create the market demand necessary for strong agricultural markets to develop (Carus interview).

The Government has ended up sending contradictory messages to small farmers regarding trade. On the one hand, when it comes to regional and international markets, the rallying cry is "market access," but at the national and local levels "there are no conducive trade policies in place" to assist farmers in domestic markets (Nalunga, 2001).

Some concerns about the PMA's components raised by NGOs include the likelihood that small farmers will become too indebted by borrowing private microfinance loans in order to afford the increased prices of farming inputs and the new user fees for the private agricultural extension services. Mr. Moto Julius Peter of the National Farmers Association expected that only farmers with 50 hectares of land or more (2-3%) would likely be able to afford the extension services afford by NAADS (Peter interview).

Dr. Vincent Kimuli, the District Production Coordinator in Mubende for the Ministry of Agriculture, explained that dramatic market price flucuations hurt the majority of small farmers who cannot afford large storage facilities. He suggested that the Government ought to finance warehouses for small farmers so they can store their crops until a better market price develops. While falling short of suggesting the Government should purchase directly from farmers, even this suggestion is too statist for the IMF and World Bank. This program is not included in the PMA. Only the largest and wealthiest farmers will continue being the ones able to use storage facilities until market prices for their crops improve (Kimuli interview).

There are also serious concerns about major commodity price fluctuations in domestic and international markets. The World Bank and IMF had insisted that Uganda liberalize key commodity prices, often citing the harm done to small farmers under the former system when the actual going market prices for crops were higher than what the Government had set as the official price. However, today many CSOs are concerned about the opposite outcomes when going market prices for their crops fall too low.

At the 32nd Steering Committee meeting for the PMA, the serious disaster in 2000 and 2001 with the overproduction of maize and consequent low prices was raised by several CSOs present. They suggested that if not price caps, then at least the Government could provide price floors for key commodities, or an officially set minimum price to protect small farmers. In response the Government official present reminded the CSOs that they could not go against market principles (Nalungua, 2001).

Although the PMA is officially touted as the panacea for poverty, the plan is most notorious for all of the things it will not allow Government to do for small farmers, including:

- supply or produce planting materials or other agricultural inputs (except for research and development)
- supply artificial insemination or proven bulls
- process or market agricultural outputs
- subsidize or provide credit directly to farmers
- construct irrigation infrastructure

Without the Government's assistance in any of these areas, many NGOs and the Development Network of Indigenous Voluntary Agencies (DENIVA) are asking, "Can such a policy lead to poverty eradication?" Furthermore, many wonder if Uganda's nascent private sector in agriculture will be able to handle of all these areas the PMA is having the Government abandon. Many doubt the private sector companies have the capacity to meet the complex quality controls and other standards to be in compliance with the WTO rules.

At the same 32nd PMA Steering Committee, the Sub-Committee on Marketing and Agroprocessing noted that the private sector is still quite small and has low marketing agro-processing capacity, limited financial resources, lacks equipment and modern machinery. The emerging consensus among Ugandan CSOs and others is that the private sector is not capable of handling all of the tasks that the IMF and World Bank have stripped from the Government, and it will be small farmers who will suffer from this gap.

In a telling case of ideological rigidity on the part of the IMF and World Bank (and other donors), a Government proposal to address this gap between private sector incapacity and state responsibilities was struck down. When the Government attempted to address some of the PMA's shortcomings by developing a program of strategic state interventions that could better support the long-term success of the PMA, the proposal was met with hostility by donors and the World Bank mission in October 2001. The Finance Ministry's director of the PMA, Dr. Peter Ngategize, explained that the proposal, titled "Government Interventions to Promote Production, Processing and Marketing Selected Strategic Exports," was designed to help small farmers with a series of state supports such as targeted subsidies to stimulate investments in strategic areas, particularly for value-added exports, export-diversification programs and other initiatives intended to promote national capacity. Dr. Ngategize did not believe agricultural liberalization was bad for Uganda, but he was not in favor of rapid and wholesale liberalization for the sector. He said, referring to the proposed state interventions, "Liberalization overall is OK, but we also need to have some legs underneath it to support it" (Ngategize interview).

However, despite the fact that the proposed state interventions also included public-private partnerships in investments in strategic areas, the proposal was too statist for the free market-oriented economists at the IMF and World Bank, who claimed the proposal left the state with too much of an interventionist role in the agricultural sector. At the time of the writing of this report, the idea was still being pursued but it appeared as though the proposal would still meet with a lot of resistance if not outright rejection.

10. Labor Rights: Missing in Action

Labor Rights and Job Security Not Part of Poverty-Reduction Goals

The PEAP/PRSP offers little detail about labor policy or labor policy reforms being proposed by the World Bank. While the PEAP/PRSP included plans to significantly increase the number of public school teachers and public health care professionals and is committed to raising public employees salaries, serious questions remain about World Bank and IMF labor reforms. In fact, liberalized and deregulated labor markets and the dynamics associated with privatization of the workforce have increased worker insecurity and weakened labor laws.

Privatization and its Impact on Workers and Labor Rights

According to civil-society participants in the SAPRI studies on privatization in Uganda, the privatization process has benefited the government and corporate interests more than the Ugandan people. The process had provided the government with revenue it needed to help ease the fiscal burden, while its search for private investment capital had further enriched a few transnational corporations and other large companies and, it was argued, disregarded the value of employment and the rights of citizens. Privatization was expected to increase the level of efficiency, but there is no evidence, nor agreement, that this has been achieved. With a growing danger of monopoly and bankruptcy, privatization is seen by many in Uganda as "legalized robbery" that runs the risk of precipitating major problems down the road (SAPRI, 1998).

The privatization process was rushed and, as a result, workers suffered. Some 350,000 people were "downsized" and, with the private sector not expanding fast enough, unemployment sharply increased (SAPRI, 1998). Surveys of those now employed in private companies indicated that many received increased pay and were exposed to newer technology. However, many of those who were laid off were not prepared for life in the private sector, with no training being provided. One result has been an increase in informal-sector activity. Meanwhile, among the employed, there has been a tendency for private companies to bring in expatriates for the higher-level jobs, leaving Ugandans with the low-level posts.

Civil society representatives have complained that the new owners of the privatized enterprises have underpaid their employees, offered no job security, and did not follow labor regulations. They have pointed out that many private employers have not recognized trade unions even though to do so is in the country's national constitution, and workers who engage in labor union organizing are routinely fired (SAPRI, 1998). With the Ministry of Labor reduced to the status of a department, officials have been unable to do very much, and the laws that protect the rights of workers are weak or non-existent.

When the World Bank introduces labor reforms to eliminate labor protections and wage constraints as "inefficient rigidities in the labor market," they mean to explicitly reform laws so that it is easier for private sector employers to fire employees, pay lower wages, and make labor union organizing efforts more difficult. These are seen as steps to make the labor market more "flexible" for private sector investors, and as a way to improve the attractiveness of the country's investment climate to potential investors. However, such policies have been associated with increases in worker insecurity, which conflicts with other poverty-reduction imperatives.

The World Bank and IMF have refused to recognize key International Labor Organization (ILO) standards in their official neoliberal policy prescription, even such rudimentary ones as the right of unions to collectively bargain with employers, or the right to freedom of assembly for workers.

The point was well established in an October 2000 high-level meeting of the IMF and World Bank and key labor union leaders from around the world. When one labor unionist asked if the IMF and World Bank would finally be adhering to long-established ILO conventions and standards, the attendees were taken aback with the response. World Bank President James Wolfensohn explained that although both institutions are on record as opposed to slavery, discrimination and--in most cases--child labor, they could not acknowledge two of the five basic conventions--the right of association and the right of collective bargaining (Edwards, 2001). Because many Third World dictatorships and repressive regimes do not implement the ILO standards nationally, Mr. Wolfensohn explained, it would therefore be imperialistically intrusive for the IMF or the World Bank to intervene in the political affairs of these sovereign states. Despite the fact that this explanation contradicts the way loans have been conditioned on major structural adjustment programs for over 20 years, the World Bank President stuck to this explanation as spokespersons for organized labor sat back stunned (Edwards, 2001).

It should be noted that many governments of developing countries oppose the development of strong labor rights and protections, as they perceive this as a threat to their primary comparative advantage in labor markets: cheap labor. At the same time, many workers inside these same countries strongly favor the establishment of labor rights and protections.

The total lack of issues pertaining to labor rights and worker security in the design of the PRSC and PRGF suggests that the World Bank and IMF appear ideologically driven in the formation of the labor policy for countries such as Uganda's. As with the efficacy of trade protection, domestic subsidies, public transportation, public education, public health care and public utilities, the lending institutions are intent on neglecting the successful history of the industrialization of the First World countries, as well as the Four Tigers of East Asia, as it relates to labor.

The history in the US, Europe and elsewhere definitively shows what a clear code of labor rights and protections can do for the emergence of a solid middle class. After struggles for labor rights were won, organized labor unions won the eight-hour workday, ended child labor and created weekends. Organized labor improved the health, education and retirement benefits of working families and was successful in laws for medical benefits and safer working conditions, which are considered a birthright today. The middle-class standard of living won by organized labor fueled growing economies where incomes increased for workers.

Unfortunately, the unwillingness of the World Bank, and the largest shareholder governments on its Board of Executive Directors, to suggest implementation of ILO's basic standards conflicts sharply with its stated efforts to achieve the poverty-reduction goals of PRSPs.

11. Financial Problems

Current Shortfall in Budget Threatens PEAP/PRSP Goals

Despite the ambitious plan to raise public employees' salaries, the PRSC noted that the recent budget has been "barely adequate to raise salaries to compensate for inflation." and the public sector still cannot compete with the pay provided in the private sector. The JSA Progress Review of the PEAP/PRSP noted that since the document's completion, subsequent initial costing estimates of the PEAP/PRSP concluded that the program as currently set out is underfunded.

There is a budgetary "shortfall of about 37 percent between current spending levels and those needed for full funding of PEAP/PRSP-related programs. Increases of this magnitude are clearly not compatible with macroeconomic stability, and, accordingly, the government is in the process of refining costing figures," (p.5). Therefore, not only has the price of coffee plummeted in international markets, but the budgetary funding necessary to fulfill the PEAP/PRSP goals is not complete. Together, these developments seem to threaten the ability of Uganda to meet its poverty-reduction goals by 2017.

The HIPC Debt-Relief Plan Is Insufficient for Poverty Reduction

Uganda has been one of the first countries to benefit from HIPC debt-relief initiative. Total debt relief has amounted to almost $2 billion, equivalent to 57 percent of total outstanding debt. The impact is most clearly seen on the debt-service ratio:

pre-HIPC	$110 million per year	(20 percent)
post-HIPC	$35 million per year	(6 - 7 percent)

It is important to emphasize that in the case of Uganda, this debt relief is real since (unlike some countries) the country was servicing its debt prior to the HIPC initiative. As the country's debt servicing has been reduced, there has been a sharp increase in poverty-related public expenditure through the Poverty Action Fund (PAF), which now represents over 30 percent of the total government budget.

Regarding Uganda's level of Debt Stock, in June 1996, Uganda's total nominal debt stock stood at US$ 3,461 million. In Net Present Value (NPV) terms, Uganda's debt amounted to US$1,796 million in 1996, assuming the application of Naples Terms to all bilateral debt. So there is a big difference between the nominal value and the NPV of Uganda's debt. This is mainly because of the large share of highly concessional IDA debt. Three quarters of the NPV of debt is multilateral, with IDA being the most important multilateral creditor. The IMF is the second largest multilateral creditor. Bilateral creditors account for US$398 million, or 22 percent of Uganda's NPV of debt. The main share is owed to Paris Club creditors. Uganda's main creditors are Italy, Tanzania and Libya. Only 2.3% of Uganda's NPV of debt is commercial debt.

Regarding Uganda's annual Debt Service payments, in 1996/97 debt service amounted to US$156 million, two thirds of which went to multilateral creditors. The IMF, which received US$61 million, received the major share of all debt service. Non-Paris Club bilateral creditors were paid US$22.3 million while repayments to Paris Club creditors amounted to US$12 million. In spite of significant improvements in Uganda's debt ratios, its debt burden remained unsustainable. Its scheduled debt service ratio fell from 128% in 1991/92 to 23% in 1995/96, and the NPV of debt to export ratio dropped from more than 600% to 233% in the same period. The debt service ratio will fall below 20 percent in 1999/2000, expected to stabilize around 11% in 2007.

The net transfers on debt (NTD), which equals new loan disbursements minus debt service payments is a good indicator of country gains from loans. Negative transfers indicate that a country is actually repaying more on its old loans than it is receiving in new loans. During the period under consideration, Uganda has always received more new loans that it repaid to its creditors. In recent years the NTD has dropped somewhat mainly because of lower disbursements.

According to the World Bank, Uganda will be sustainable on the basis of the above criteria. Uganda's debt-to-exports ratio is projected to decrease from 127.9% in 2000/01 to 84% in 2006/07 and further to 34.2% in 2018/19. The ratio is thus projected to be below the 150% "sustainability" level set by the World Bank throughout the projection period. Uganda's NPV of debt-to-revenue ratio after enhanced HIPC assistance is projected at 115.8% in 2000/01, and to fall steadily to 24.3% in 2018/19. The debt service to revenue ratio is projected to fall from 10.5% in 1999/00 to 5.5% in 2000/01. It is then projected to rise again to 6.1% in 2004/05 and then to fall gradually to between 3.3% and 3.7% for the years 2010/11 to 2018/19 (World Bank, 2001d).

The debt sustainability indicators are all based on assumptions about the future economic trends of Uganda. Real GDP Growth is expected to be at 7% in 1999/00-2002, 6.5% in 2002/03, and 5% from 2005 onwards. Real export growth is expected to average 6-7% a year through the projection period. Non-coffee exports are projected to grow by 10% a year and coffee exports by 2%. Looking at past trends, average annual growth was at 3.4% from 1979-89, 5.6% in 1998 and 7.4% in 1999. Export levels show a fluctuating trend through the 1990s.

Annual export growth averaged 14.8% from 1989-99, falling to -14.9% growth in 1998 and reaching 33% in 1999. 6.4% growth is predicted for 1999-03. Uganda's main export is coffee, accounting for 56% of exports in 1999 (down from 98% in 1989) (World Bank, 2001d). The World Bank assumes that Uganda will diversify its economy with non-coffee exports. If this diversification does not occur Uganda will remain highly vulnerable to fluctuations in the world coffee price.

Currently the IMF and World Bank determine the level of debt-relief Uganda can be offered by assessing how much debt it has in relation to its exports. If the net present value (NPV) of debt exceeds 150% of exports, then the country qualifies for debt reduction of an amount that will bring the ratio down to 150% or below. In theory, the criterion takes the availability of foreign exchange from exports as the main constraint for debt sustainability.

However, this approach has repeatedly been criticized for several reasons: 1) looking at exports is the wrong approach because rapid growth in exports may not always translate into more budgetary resources for the government to use to pay its obligations; 2) the volatility of commodity markets makes the debt-to-export ratio an unreliable benchmark to predict debt sustainability in the medium term; 3) but most importantly, an exports-based approach does not take into account what the poverty needs of a country are, and creates incentives for macroeconomic orientation that may not always be pro-poor (Eurodad, 2001). The process also neglects the important issue of domestic debt.

From the perspective of the amount of resources available to spend on poverty reduction, it is annual debt servicing that counts, not the absolute amounts of debt. It is, of course, the overall debt stock that dictates how much debt servicing will occur, but the best way to approach debt sustainability is to understand the maximum "affordable" amount of debt servicing, and to cancel the debt stocks that would lead to debt servicing at a higher level than that (Eurodad, 2001).

Many have questioned the purpose or intent of the level of debt-relief for countries being determined by the "level of debt sustainability" of 150% of debt-to-exports ratio. For example, Jeffrey Sachs thought the amount of debt-relief a country is afforded ought to be determined by what is needed to finance poverty-reduction. In the Financial Times (7/24/01) he wrote, “Rather than looking at how much debt relief countries really need if they are to fight disease and give even a basic education to their children, G7 summiteers in Cologne in 1999 arbitrarily defined a 'sustainable' level of debt as equal to 150 per cent of exports...an approach based on evidence would start with the needs of poverty reduction and fashion debt relief to help meet these needs”.

Along these lines of reasoning, the European Network on Debt and Development (Eurodad), has proposed a radical reorganization of the way the level of debt-relief ought to be determined that, if applied, would have profound effects on Uganda. Claiming that a "poverty approach to debt sustainability is needed”, Eurodad, amongst others, has urged that debt sustainability be seen in a broader context that incorporates the human development needs of the beneficiary countries. Eurodad proposed the use of a poverty-focused debt sustainability criterion which takes as its starting point, for each country, an assessment of the resources that each will need to achieve poverty reduction and human development.

The main assumption of the proposal is simple: "that resources available to HIPC governments must first be used for essential expenditures that are necessary to fight poverty: clean water, primary health care, education and basic infrastructure, as well as for servicing domestic debt" (Eurodad, 2001). Government resources that are left after these essential expenditures have been “ring-fenced” can then be spent on other important but non-essential items, such as capital expenditure, civil infrastructure, police, security - and external debt servicing. "Thus external debt service is here seen as a secondary concern and human development expenditures a priority...This reverses the current HIPC Initiative approach, where external debt service is the priority" (Eurodad, 2001).

If this approach was enacted, the report showed that for Uganda and six other countries, the sum of essential spending needs and domestic debt service payments are already greater than available resources, and they would therefore be categorized as "bankrupt countries". In other words, these six bankrupt nations cannot afford to spend any resources on external debt service whatsoever. These countries need to have their external debt cancelled in its entirety. They also desperately need additional transfers in the form of grants if they are to have sufficient resources for essential poverty reduction expenditures, let alone for other 'non-essential' expenditures (Eurodad, 2001).

A 2001 analysis by Eurodad of Uganda's debt-sustainability under the current HIPC plan showed the following:

- Uganda is not better off in cash flow terms. At the completion point, the UMDF, which served as an emergency fund before HIPC, was dissolved. The MDF provided US$42 million per year towards scheduled debt service, while Uganda was only to receive US$30 million annually under HIPC. In order to overcome this cash problem, the World Bank/IMF had to "frontload" debt relief, i.e. to make proportionally more available at the very early stages after the completion point. This will top up the US$30 million to exactly US$42 million annually. Uganda will therefore not make a loss under HIPC, but will be in exactly the same financial position as in 1997. Only because donors contribute to the new Poverty Action Fund, which will replace the MDF, Uganda stands to benefit under the new arrangement. Debt relief in Uganda's case will cover minimum debt servicing costs but is unlikely to free up many additional resources for investment in health, education and other sectors crucial to long term development and growth. Uganda will thus remain heavily dependent on external financing for human development.

- Timing. Although many countries supported a completion point in 1997, a completion point in 1998 was decided due to the pressure of several powerful G7 governments, in particular the US. According to the government of Uganda, the price to be paid for delaying the completion point to 1998 was a reduction in debt relief of US$196 million. The reason for this difference in amounts of debt relief is that the momentary coffee boom has increased Uganda's export earnings, leading to a distorted picture of Uganda's debt situation. As the coffee price cycle covers nine years, the use of three years averages is misleading.

- Optimistic projections. The World Bank and IMF assessment of critical factors influencing their debt sustainability analysis is too positive. Lower coffee prices, lower non-coffee export growth, lower private inflows, higher import elasticities, and less concessional finance than assumed in the baseline scenario alter Uganda's debt projections. For instance, as noted by the Bank and the Fund, 'there is a high degree of probability that coffee prices could return to pre-boom levels (i.e. 20 percent lower than in the baseline scenario). This could lead to NPV of debt/exports ratio of 30-40 percentage points higher than in the baseline' (IDA 1997, p9). In that case, it will take until 20015 before the NPV of debt to exports ratio would decline to be below 200 percent. The last two years, Uganda experienced how real - and beyond its control - these vulnerabilities are. El Niño has brought extreme weather conditions since the Spring of 1997. Severe droughts in the west and torrential rains in the east have a disastrous effect on the agricultural sector, while flooding destroyed roads and bridges and led to isolation of rural areas, causing food shortages, inflation and an outbreak of cholera. The IMF estimates that real GDP will grow by 5 percent instead of the earlier prediction of 7.5 percent (Eurodad, 2001).

Although the World Bank bases Uganda's projected revenues on its continued HIPC debt-relief projections, many NGOs, including those that comprise the international Jubilee debt-cancellation movement, continues to lobby for full debt-cancellation. On November 8-10, 2001, the 25 Bishops of the Catholic Episcopal Conference of Uganda met at St. Augustine's Institute in Kampala, Uganda, to consider the roles and responsibilities of the Catholic Church in debt relief and poverty eradication. On the issue of the continued millions of dollars in debt servicing Uganda continues to pay even after its HIPC debt relief, the Bishops statement called the continuing payments intolerable:

> The burden of international debt is intolerable. We have considered the issue and decided that we need to act with more resolve to reach a solution to this problem. It is altogether intolerable that within a given community, inequalities grow ever larger and create deep divisions between the rich who have and the poor who have not. This is the challenge that is closest to us because we recognize that such inequalities destroy the social texture that keeps a country together (UEC, 2001).

Uganda's Military Mis-Spending

CSOs that participated in the PEAP/PRSP process had expressed concern that the high level of internal and external military operations could drain vital resources, discourage investment and compete with limited poverty eradication resources (CSRC, 2000). However, Uganda Debt Network (UDN) pointed out that proposed alternatives to conflict resolution were not included in the PEAP document, this despite the fact that diversions of resources away from poverty-reduction will obviously impact the success of the PRSP. According to the budget estimates for 1998/1999, defense spending alone constituted 26% of the total budget expenditure, compared with education at 20% and health at 7%.

When Ugandan President Museveni misused funds to purchase a new presidential jet, loans were not suspended. When Uganda increased its military spending levels for operations inside Congo and on the Rwandan border, loans were not suspended. While the IMF has claimed it has insisted on strict defense spending limits, one IMF official familiar with Uganda has said that he has never known the IMF to have ever actually held up disbursement of a loan because of the issue of excessive military spending. When queried by NGOs about why the IMF could not be more forceful with countries on insisting upon military spending cuts, its answer echoes that of the World Bank on labor issues; that to insist upon these conditions might violate a country's sovereignty.

This, despite the lengthy track record of loans being conditioned on comprehensive structural adjustment reforms, is a contradiction that has not been explained. The World Bank and IMF have been easily willing to suspended tranche releases or entire loan disbursals if countries are not privatizing industries or reducing trade protections quickly enough, but they have never done so in the name of a lack of labor protections or excessive military spending. Such patterns of behavior over time lead NGOs to suspect that the World Bank and IMF selectively use this coercive measure for some issues, but not when it comes to interfering with those in the industrialized countries who seek to extended military arms sales or seek cheap labor conditions.

12. Transparency for Governments, but not the World Bank, IMF or WTO

Under transparency reforms, the PRSC requires the government to submit a bill to parliament called the Access to Government Information Bill, which is supposed to empower citizens with accurate and timely government financial and accounting information. While this is very much in line with what CSOs have been calling for, it contrasts significantly with the World Bank's own Information Disclosure Policy, which insists that the majority loan conditions and decisions and agreements reached between the World Bank and governments will remain secret and undisclosed from the public. The World Bank does not disclose any of its key structural adjustment documentation such as the Presidents Report or Tranche Release Memoranda, and prefers to let those Parliamentarians and civil society organizations attempt to draft the PEAP/PRSP without the knowledge of several other secret loan agreements and concessions by the Government.

Ugandan NGOs expressed a growing concern that throughout the PEAP/PRSP process, no one was scrutinizing any of the other nearly $1 billion in World Bank loans to the Government of Uganda since the PEAP process began in 1997. Between 1998-2001, the World Bank approved or planned 21 different loan packages for various economic policy reforms and development projects totaling over $1, 085,000,000, of which only $150 million constitutes the PRSC (See Annex: World Bank Loans to Uganda, 1998-2001).

It is not technically possible for those drafting the PEAP/PRSP to accurately assess which poverty-reduction goals are feasible without also knowing what other conditions the Government of Uganda has committed itself to implementing with regard to several other loan documents. Civil society in Uganda should insist that the Government of Uganda, the World Bank and the IMF disclose all structural adjustment and project documentation to the public, and that it be made available to the public prior to World Bank or IMF Executive Board approval. Such key documents include: the draft Country Assistance Strategies (draft CASs); draft Project Appraisal Documents (draft PADs); Memoranda to the President (MoP); Tranche Release Memoranda; the Letter of Development Policy (LDP), among others. In particular, the obligations the Government of Uganda makes should be made public: the precise "Prior Actions" to be implemented before loans are granted; the precise "CAS Triggers" that determine the number and size of loan operations over three years; the precise "Tranche Release conditions" to be met before each "installment" of the loans can be released; and the "Performance Triggers," which are the conditions that will be used to evaluate Uganda's eligibility for a single loan.

Regarding IMF conditions, Ugandan civil society should demand to know the following in all Government of Uganda commitments made: the "Prior Actions," the "Performance Criteria," which are binding conditions that, if not fulfilled, can interrupt, suspend or terminate a loan; and the "Structural Benchmarks," which are loose, non-binding goalposts and targets to be achieved.

Ugandan CSOs should not allow the World Bank or IMF to conveniently hide behind the concept of "government ownership" of documents as a reason for non-disclosure; similarly, they should not allow the Government of Uganda to hide key policy reform commitments from Parliament or the public. Under such circumstances, one has to question the sincerity of the World Bank's concern for the empowerment of citizens through access to greater government information when their own Information Disclosure Policy keeps vital information undisclosed. (The World Bank's Information Disclosure Policy, which lists all of the documents it will and will not disclose to the public, can be found on their website at: http://www.worldbank.org/html/pic/Dp_root.htm. A critique of the shortcomings of the policy can be found at: http://www.resultsinfo.org/docs/wb_proposed_changes_apr2001.html)

President Wolfensohn underscored the central importance of community participation to the World Bank's new PRSP approach at the World Bank/IMF annual meetings in Prague in September 2000 in the following way; "Our comprehensive framework and the poverty reduction strategies embody an approach to development that is gaining strong recognition in the development community... And let us recognize that there is a key element that runs right through this approach: it is participation. Participation delivers powerful results at the project and program level. And it can create the social consensus that is the foundation for social change and reform. It is a part of freedom." Elsewhere, the World Bank President has stated; "that for development to be real and effective, we need local ownership and local participation. Gone are the days when development can be done behind closed doors in Washington or Western capitals or any capital for that matter" (Wolfensohn, 1999).

Because 21 of the 21 World Bank loans approved for Uganda since it began the PEAP process have been completed behind closed doors, arguably, in Uganda's case Mr. Wolfesohn meant that "participation and ownership" was restricted to only the public consultations of the PEAP process. Some of the new loans, such as the $80 million Public Management loan or the $115 million Electric Power loan, among others that have been agreed upon, signed and committed to by the Government, are likely to have profound impacts on the ability or choices available to Uganda as it seeks to realize its PRSPs goals. Unfortunately, the NGOs and other "voices of the poor" were not considered for the discussions on the vast majority of the $1 billion in loans approved for Uganda since 1998. Nor were the details and likely impacts of these other loans figured into the designs of the PRGF and PRSC.

13. Implications Drawn From This Study

The World Bank and IMF should not be given the exclusive role as overseers of poverty reduction programs in poor countries.

Other United Nations agencies, such as UNDP, UNICEF, UN World Health Organization, UNESCO, UNFAO, UNCTAD and ILO, as well as bilateral donors, and all sectors of civil society (not just those hand-picked for PRSP participation) should be fully brought into the process.

Loans should not be conditioned on privatization.

Public enterprises very often serve social and national objectives, so a decision on privatization should not be based on narrowly defined measures of efficiency or profitability. A mix of different ownership forms, based on each country's unique set of social, economic, political and cultural circumstances, can best serve the development needs of that country. Each country should determine this mix of private, state and cooperative ownership.

Foreign loans and aid should not be tied to any precondition regarding ownership structure. In addition, basic utilities and social services should remain under state or local government ownership in order to best ensure the provision of affordable, quality services to all segments of the population. Although the benefits of foreign investment and ownership are recognized, measures should be taken so that transnational companies do not displace local firms through privatization processes. Priority should be given to support the development of domestic industries to meet local needs. Finally, mechanisms of citizen participation should be developed and supported in order to facilitate a transparent flow of information, which would in turn diminish corruption and give citizens greater influence over decision-making processes

100% Debt Cancellation Should Be Completed and Extended.

Recalling the report of the UN Secretary-General on the subject, efforts must be made to initiate new rounds of talks in order to come up with a lasting solution to the crushing debt burden of many poor countries, including the HIPC countries. The new rounds of talks should start with a clear commitment that all debts owed by the HIPC countries will be written off, with no conditions; and that the list of eligible countries should be extended.

De-link HIPC debt relief from the PRSP process.

Real national ownership of poverty reduction frameworks can only happen if the threat of "conditionality" is removed by the IMF and the World Bank "from the backs of vulnerable Governments." Linking debt relief to the preparation of the PRSP removes the "autonomy" of countries to come up with a framework that clearly makes an explicit connection between macroeconomic policies and poverty reduction goals. This requires time, research and exhaustive consultation with broad sectors of their populations. The only condition should be that countries receiving debt relief establish an independent entity, like Uganda's Poverty Action Fund (PAF), to channel freed resources towards social development.

Creation of a Strong, Independent Anti-Corruption Tribunals
NGOs have demanded for the establishment of an Anti-Corruption Tribunal headed by a competent person to deal quickly and decisively with corruption cases, recover stolen money by attaching and selling properties of culprits and putting the money back in the public coffers.

The enactment of a Public Information Act (or Open Democracy Act as in South Africa) by Parliament should be put on top of the policy agenda in the next Parliament. This will enable the public and the media have access to vital and critical information on critical areas such as public expenditure.

Governments should review the role of the anti-corruption agencies with a view to strengthening them. A concern is that there are too many weak and politically impotent organizations attempting to deal with the corruption and the central question is whether the multiplicity of institutions is a facilitator or a hindrance to the fight against corruption. Ugandan NGOs felt that the idea of a singular, competent and transparent Anti-Corruption Tribunal could more forcefully and effectively deal with the problem.

Greater emphasis on state support for small farmer based agriculture
Greater priority to agriculture as an important factor ensuring food security, as well as generating export revenue is needed in the PRSP. Complementary policy and investment initiatives should also be undertaken to improve the environment for agricultural production. These should include the support needed from the state to ensure small farmers' access to affordable agricultural supplies, credit and markets, improvements in rural roads and transportation, further development of irrigation systems, and promotion of land-tenure reforms

14. Unanswered Questions Based on This Study

Several questions remain unanswered by this investigation. Has the PRSP Process Become a Substitute for Democracy? With the rhetoric of "ownership," "community participation" and "consultations" surrounding the development of the PRSPs, there is an unspoken assumption that in some ways participation in the PRSP process has replaced the domestic process of lobbying your fellow citizens and Government via your own media & Parliament and building your own national capacity for democracy and self-determination in economic policy making.

Are the IFIs, donors and some NGOs, by putting visible efforts into "capacity building" and "institutional strengthening," attempting to reform decision making processes in several countries? If so, it should be clear that such a process is far from, and may be contrary to, a genuine democratization and empowerment strategies and efforts. While PRSPs could help make governments more accountable and transparent, they are not, any more than advocacy itself, substitutes for grassroots mobilization or organizing. Engagement around PRSP is not an end in itself, and eventually it has to be judged in terms of whether the present-donor designed poverty analysis and reduction strategy "template" gives way to a national and socially-owned one, particularly as regards decisions on macroeconomic policy choices and the consideration of causes of poverty that are external to the country, including systemic factors that do not let the donors, creditors, trade policies and multinational corporations off the hook (Guttal, 2001).

Must achieving economic growth have to come before poverty reduction? Is the growth model (usually export oriented) also not a poverty-reproducing one? How meaningful are these PRSPs when it is predetermined that structural adjustment programs will continue to inform the final policies?

Without sustained high GDP growth rates or high revenues from coffee exports, will Uganda's Poverty Action Fund continue to supplement government budgets in health and education, or is there a threat that government commitments will decline and PAF funds will begin to replace government funding rather than supplement it?

How can the World Bank claim that its decentralization element to sector reforms in health and water will support poverty-reduction goals when such approaches focus only on building institutional, financial and administrative efficiency to the neglect of actual health outcomes on the ground? Should decentralization occur ahead of regulation and adequate capacity at the district and sub-district levels, or should effective regulations and capacity be established prior to commencing with decentralization initiatives?

The collapse of coffee prices has underscored the need for economic diversification. What evidence does the World Bank have to claim that Uganda's economic diversification cannot be supported by the state, and can only be driven by the (foreign) private sector? What are ways the state can use strategically targeted tax credits and other subsidies to encourage research and development efforts for industrial diversification among domestic Ugandan companies?

How can the World Bank's current Information Disclosure Policy justify keeping key adjustment and other loan documentation undisclosed in the context of the drafting of the PEAP/PRSP review? How does the World Bank expect those drafting the PEAP/PRSP reviews to calculate strategies for poverty-reduction when key financial and policy concessions made by the Government of Uganda in private negotiations with the World Bank are not known to the public?

15. Conclusion

The new PRGF and PRSC loans for Uganda will not help Uganda achieve its desired poverty-reduction goals, and in fact, some policy advice in the new loans may inhibit the realization of the goals.

In its review of several countries' PRSPs, Oxfam noted one of the constant themes of civil society discussions about the PRSP process is that structural and macroeconomic policy is still being driven by conditions attached to World Bank and IMF lending instruments. In most cases the development of PRSCs and PRGFs is still the work of IMF and World Bank representatives in consultation with small technical teams within finance ministries, and perhaps the central bank. There is no sense of integration of economic and social objectives. For example, in the loan-related documents for Uganda there is detailed attention to trade liberalization in the textile, coffee, sugar and tobacco sectors, yet these issues are only dealt with in a cursory way within the PRSP.

Although Uganda's PRSP outlines its goals for poverty reduction, the policies to be used are determined by the IMF and World Bank. The policy prescriptions of the new loans are informed by the ideological disposition of the IMF and World Bank, and not from the CSOs and public consultations of the PEAP/PRSP process. A strident World Bank, IMF and donor commitment to policies of liberalization, privatization and deregulation has always predetermined the policy outcomes in the countries undertaking the PRSPs. For this reason the PRGF and PRSC do not support Uganda in reaching its four major poverty-reduction goals outlined in the PEAP.

In addition to being based on the same controversial neoliberal policies of the last 20 years, the new PRGF and PRCS are also based on flawed and incomplete analyses for Uganda's situation. In a striking omission from the analyses, no assessment of the likely new WTO requirements was included in the development of the loans to Uganda. Although Uganda is a member of the World Trade Organization (WTO), the sister institution of the IMF and World Bank, the authors of the PRSC and PRGF wholly neglected to include consideration of how the WTO's new sets of trade agreements and rules currently being negotiated will likely impact the ability of Uganda to achieve its poverty-reduction goals. For example, whereas the IMF and World Bank prescribe that Uganda privatize its key markets that are yet to be effectively regulated, and assures us that the regulation "will eventually follow," the facts are that the WTO rules will greatly prohibit what level of regulation Uganda will be able to develop. These crucial considerations are absent in the analytical designs of the PRSC and PRGF.

This examination of the PRSC and PRGF for Uganda displays that the World Bank and IMF have repackaged their same controversial policies in the words "Poverty Reduction" and have claimed that these renamed loans will be based upon countries' poverty-reduction goals. However, the policy prescriptions do not lend themselves to poverty reduction today any more than they had over the last 20 years before they were renamed.

If Uganda seeks to truly achieve its poverty-reduction goals, doing so will likely involve eventually breaking with the neoliberal policies in the PRSC and PRGF. The only way Uganda will become independent of its current donor dependency is to develop its own domestic economy with state supports not different than those used successfully by the industrialized countries.

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Annex 1: World Bank Loans to Uganda 1998 - 2001

Loans Currently "in the Pipeline":

Loan No.	$m	IDA or IBRD	Type	Pipeline/Active	Approval
P065437	21	IBRD/IDA	Environment	Pipeline	N/A
P073671	150	IBRD/IDA	Economic Policy	Pipeline	N/A
P002952	100	IBRD/IDA	Social Protection	Pipeline	N/A
P074649	11.7	IBRD/IDA	Finance	Pipeline	N/A
P074078	5	IBRD/IDA	Education	Pipeline	N/A
P050440	70	IBRD/IDA	Public Sector Management	Pipeline	N/A
P063834	115	IBRD/IDA	Electric Pwr & Other Energy	Pipeline	N/A

"Active" Loans:

Loan No.	$m	IDA or IBRD	Type	Pipeline/Active	Approval
P070222	0	Global Environ	Electric Power & Energy	Active	12/13/01
P069996	49.1	IBRD/IDA	Electric Power & Energy	Active	12/13/01
P065436	64.52	IBRD/IDA	Transportation	Active	7/3/01
P002984	62	IBRD/IDA	Electric Power & Other Energy	Active	7/3/01
P050438	150	IBRD/IDA	Public Sector Mgmt PRSC	Active	5/31/01
P070627	20	IBRD/IDA	Finance	Active	4/3/01
P073089	22	IBRD/IDA	Environment	Active	3/20/01
P044695	45	IBRD/IDA	Agriculture	Active	2/15/01
P072482	47.5	IBRD/IDA	Health, Nutrition & Pop	Active	1/18/01
P073593	0	Instit Dev Fund	Public Sector Mgmt	Active	1/4/01
P073346	25.4	IBRD/IDA	Economic Policy	Active	12/22/00

P073762	0	Instit Dev Fund	Uganda Multisector	Active	10/30/00
P050439	48.5	IBRD/IDA	Private Sector Development	Active	8/24/00
P072666	0	Instit DevFund	Uganda Public Sector Mgmt	Active	5/12/00
P069840	33	IBRD/IDA	Electric Power & Other Energy	Active	1/20/00
P044679	34.04	IBRD/IDA	Public Sector Management	Active	11/30/99
P002992	80.9	IBRD/IDA	Public Sector Management	Active	11/30/99
P070820	0	Inst Dev Fund	Public Sector Mgmt	Active	7/22/99
P002970	90.98	IBRD/IDA	Transportation	Active	6/29/99
P059223	22.4	IBRD/IDA	Urban Development	Active	5/6/99
P059127	26	IBRD/IDA	Agriculture	Active	5/6/99
P059869	0	GEF Med Project	Environment	Active	2/16/99
P035311	0	Global Env Proj	Environment	Active	7/9/98
P002941	12.4	IBRD/IDA	Agriculture	Active	7/9/98
P057007	27.6	IBRD/IDA	Transportation	Active	5/7/98
P056090	0	InstitDev Fund	Public Sector Management	Closed	5/4/98
P040551	34	IBRD/IDA	Health, Nutrition & Pop	Active	3/24/98
P002972	80	IBRD/IDA	Education	Closed	3/24/98

Annex 2: Design and Intent of the World Bank's New Poverty Reduction Support Credit (PRSC) and the IMF's New Poverty Reduction Growth Facility (PRGF)

The World Bank's new PRSC

The PRSC is designed based on the goals of the PRSP. According to the World Bank's Development Committee, the Poverty Reduction Support Credit (PRSC) is a Country Assistance Strategy (CAS)-based development assistance instrument, supporting an IDA-eligible country's policy and institutional reform program to help implement its poverty reduction strategy. The PRSC is "grounded in the principles of the Comprehensive Development Framework (CDF) and the international/millennium development goals." Over time, the PRSC is expected to become the central IDA loan to low-income countries with strong programs, "anchoring the Bank's overall support for their poverty reduction strategies."

According to the World Bank's Interim Guidelines for Poverty Reduction Support Credits (World Bank, 2001a), the Bank starts with the country's own vision as outlined in the PSRP, which sets out the country's poverty reduction strategy and the priority public actions it expects to achieve its goals. "Utilizing country-based economic and sector work (ESW), Bank and Fund staff provide a Joint Staff Assessment (JSA) of the adequacy of the PRSP—and of the country's commitment and capacity to implement it—as a strategy for achieving sustained growth and poverty reduction and making progress toward the international development goals." In turn, the PRSP and JSA feed into the Country Assistance Strategy (CAS) and PRSC processes, which will increasingly be synchronized. It is expected that the PRSP/PRSC framework will allow donors "to combine their efforts behind a single program, with consistent and harmonized monitoring and evaluation focusing on results at the project, program, and country levels."

The PRSC is a series of three loans based upon a revolving, three-year medium-term program (MEP). The MEP is drawn from and elaborates on the country's PRSP and takes into account the JSA's analysis of the adequacy of that strategy. It is set out in the government's Letter of Development Policy (LDP) and a multiyear matrix of policy and institutional reforms, with results-focused monitoring indicators and progress benchmarks. The time horizon of the PRSC series ideally corresponds to the PRSP and CAS periods. The first PRSC is designed to support reforms in health, education, and water and sanitation sectors. PRSC II and PRSC III are expected to support rural development, private sector development (PSD), and post-primary education.

Regarding loan conditionality, each of the three PRSCs in the series for Uganda's PRSP implementation cycles will require the completion of "prior actions" by the Government of

Uganda before each loan is released. Traditionally, the World Bank authorized development loans before a country had begun implementing agreed structural and policy reforms. However, reflecting an emerging tactical approach to its future lending, the World Bank is only making the new PRSC available to governments upon the up-front completion of a set of "prior actions," including, in this case, the Ugandan government's ability to demonstrate satisfactory progress in meeting a host of other agreed-upon IMF "structural benchmarks," and "performance criteria," and World Bank "CAS triggers," and continued macroeconomic stability.

According to the Interim Guidelines, each individual PRSC in a series of three credits is approved based on (a) the receipt of an acceptable Letter of Development Policy (LDP); (b) a satisfactory macroeconomic framework (as determined by the IMF); (c) the up-front completion of a set of specific social and structural reform measures ("prior actions"), agreed at negotiations and set out in the LDP/multi-year matrix; and (d) on satisfactory progress in carrying out the Medium-term Program (MEP), based on a review and assessment by staff, against the "CAS triggers" and the overall set of social and structural actions set out in the "policy matrix" annexed to the LDP. When a country's compliance with each of these is satisfactory, each individual credit in a PRSC series, like all other structural adjustment credits, is presented to the World Bank Executive Board for its review under regular procedures.

The IMF's New PRGF

The September 1999 Annual Meetings resulted in a clear new mandate for the IMF: to integrate the objectives of "poverty reduction" more fully into its operations in the poorest member countries. The IMF has since claimed that the objectives of its concessional lending have been broadened to include an explicit focus on poverty reduction in the context of a growth-oriented strategy. A March 2001 IMF Fact Sheet explained, "The IMF will support, along with the World Bank, strategies elaborated by the borrowing country in a Poverty Reduction Strategy Paper (PRSP) which will be prepared with the participation of civil society—including the poor—and other development partners" (IMF, 2001a.). To reflect the broadened objectives, the IMF changed the name of its Enhanced Structural Adjustment Facility (ESAF) to the Poverty Reduction and Growth Facility (PRGF), "which will be based on the PRSP," even as its macroeconomic policy advice remains the same.

The primary function of the new PRGFs is "to provide advice on prudent macroeconomic policies; structural reforms in related areas, such as exchange rate and tax policy; and better fiscal management, budget execution, fiscal transparency, and tax and customs administration" (IMF, 2001a).

After it underscored that the basic thrust of IMF policy advice will remain unchanged, the Fact Sheet explained that PRGF-supported programs differ from the former ESAF programs in significant ways, most notably, the attempt to integrate poverty reduction with macroeconomic policies. The Fact Sheet on PRGFs discussed the significant nature of the planned changes in the way the IMF had previously conducted business: "Discussions on the macroeconomic framework are to be more open and iterative. Key macroeconomic policies, including targets for growth and inflation, and the thrust of fiscal, monetary, and external policies, as well as structural policies to accelerate growth, are subjects for public consultation" (IMF, 2001a).

The results of the Enhanced Structural Adjustment Facility (ESAF) Review in 1998 led to a major turnaround: after 50 years of setting policy advice with its own economists, US Treasury officials, international financers and in-country technicians and politicians, the IMF today claims it is now in favor of having the robust public consultations in the PRSP process serving as the source of the strategy's policy advice. In this unusual development, the IMF has stated it believes "the strategy and the policies should emerge out of national debates in which the voices of the poor, especially, are heard" (IMF, 2001a).

The Relationship between PRSC and PRGF

The World Bank's guidelines on PRSCs states "both the PRSC and the IMF's PRGF provide support of the country's poverty reduction strategy articulated in the PRSP, and Bank and Fund staff closely coordinate in their preparation." When countries are negotiating both a PRGF and PRSC, there is an attempt to negotiate on the same timeframe and proceed in parallel, building on the PRSP and the JSA. "The Bank regards the presence of an on-track PRGF arrangement as adequate evidence that the macroeconomic framework is appropriate. Similarly, the IMF regards the presence of an on-track PRSC as adequate evidence that the social and structural program is appropriate." Despite this, however, it should be kept in mind that the Bank continues to defer to the Fund on these matters, making an on-track PRGF much more important for a PRSC than the other way around; the IMF retains its prominent role as "gatekeeper" to the release of all lending from the Bank. The Bank/IMF Joint Implementation Committee (JIC) provides a mechanism to coordinate Bank and IMF efforts in assisting countries with PRSPs, preparing JSAs, and as needed, reconciling differences between PRSCs and PRGFs.

Annex 3: Summary of Findings of the SAPRI Study on Privatization

- Utility rate increases following privatization created further hardships for the poor and low-income segments of society.
- Privatization of electricity has increased the burden on women and has led to further environmental degradation.
- Fiscal benefits from privatization have been at least in part derived from eliminating subsidies that allowed the poor to access services. In some cases, state subsidies remained in place even after privatization in order to ensure the supply of services to the poor and those living in remote areas, essentially eliminating the presumed fiscal benefits from removing government from ownership and management functions.
- Privatization has placed strategic services under foreign control. Most of the privatized assets in the countries studied have been purchased by foreign companies, some of them public enterprises. As a result, the provision of services such as electricity, water and telecommunications in these countries now responds to the interests of foreign capital and strategic considerations rather than to local needs and strategic considerations.
- There is no evidence that the form of ownership determines the level of efficiency of a particular enterprise. Overall, the increased profitability of privatized enterprises observed is due to circumstances that can exist under either private or public ownership. In some cases, increases in productivity at the microeconomic level can be attributed to the liberalization of capital flows and to the fact that transnational firms with ready access to capital had become the new private owners.
- At the macroeconomic level, the real rate of growth in gross domestic product in the countries studied revealed no trend toward acceleration resulting from privatization. Even though the experience of individual countries varied depending on political or economic circumstances, privatization in itself showed no sign of leading to an increase in overall macroeconomic efficiency.
- Foreign ownership increased as a result of privatization. While this may bring advantages such as advanced technology and new knowledge and products, the dominance of foreign capital tends to obstruct the development of local industries or crowd out existing ones. Furthermore, because foreign firms are volatile, seeking higher profits from lower labor costs, they have in some cases suddenly decided to relocate and lay off employees, causing serious problems locally. At the macroeconomic level, the repatriation of profits or the withdrawal of capital have caused current-account problems.
- Privatization has not improved the socio-economic welfare. The main benefits have flowed instead to a small group of the already privileged. The economy is not being democratized.
- Unemployment and job insecurity have increased overall. Layoffs accompanied privatization across the board, and new employment generation did not always

compensate for jobs lost. Privatization has fostered discontent among those workers who did not lose their jobs, because workloads have increased, employment has become less secure, and the power to organize and negotiate with employers has been severely weakened.

- Privatization has contributed to increasing inequality. Income distribution has worsened as large numbers of low-skill, low-wage workers have been the first to be laid off. While new employment generated in privatized firms has tended to be better paid, these jobs have required higher skills levels (SAPRIN, 2001).

"It is a very comprehensive analysis, and perhaps one of the first of its kind by civil society in Uganda, which provides a critical perspective to this topic".

Dr. Joe Oloka-Onyango
Dean of Law, Makerere University,
Kampala, Uganda

"I congratulate the authors for a very brilliant job done in exhaustively bringing together several macro, national and international processes that are collectively influencing upon the poverty eradication goals. I am not aware of another study yet, at the country level that brings together WB, IMF and WTO programmes and policies and the way they together threaten poverty eradication goals."

Meenu Vadera
Country Director, Action Aid Uganda
Kampala, Uganda

"There is a significant disconnect between the World Bank's rhetoric and the reality of its operations on the ground. The authors masterfully contrast rhetoric and reality in the context of Uganda. They reveal how so-called participation processes can provide "window dressing" for creditor and donor driven schemes. This is a "must read" for people seeking to influence the political economy of reform."

Nancy Alexander
Executive Director, Globalization Challenge Initiative
Takoma Park, Maryland, USA

New Strategies, Old Loan Conditions

Do the New IMF and World Bank Loans Support Countries' Poverty Reduction Strategies

The Case of Uganda

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