

# ANNUAL REPORT 1996/97

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## 1.0 OVERVIEW

The 1996/97 activities were set within five thematic areas to guide the plan of work for the Economic Policy Research Centre (EPRC). These were consistent with the Centre's mission of building capacity for policy analysis and decision making in Uganda through research, training and information dissemination.

The first objective of building capacity for policy analysis is intended to facilitate skill formation and enhance competence among Ugandan researchers in order to carry out high quality policy oriented research. The approach here was to provide institutional (support) attachments, training and provide hands-on research activities. This format provided the necessary pressure to attain the highest quality desirable for research output. It also provided a pool of competent researchers, policy analysts and future policy makers.

The second objective of sharpening policy relevance through research and information dissemination was considered paramount. The general approach here was to focus on relevant supply-driven research coupled with demand-driven (commission) studies. Dissemination of research findings to various research end-users (decision makers) has been done through publications and seminars/workshops. Broadening EPRC range of publications to reach a wider range clients was undertaken to promote and improve the Centre's image, coupled with seminars/workshops to bring EPRC research outputs (findings) to the attention of policy makers.

The Centre planned to achieve greater efficiency and effectiveness in the management of its activities and finances in line with funding agencies and Board of Management guidelines. In this regard the Centre has developed a work plan and an accounting manual to streamline its activities and financial control and disbursement procedures in order to comply with the potential funding agencies report requirements.

Since EPRC is coming to the end of Phase I, considerable time and effort has been dedicated in preparing Phase II refunding programme to be submitted to ACBF, Government of Uganda and other donors. This also covers the Centre's own financial contribution to EPRC activities for the next four years.

### Research

The main gains from EPRC research during the past three years are that the Centre has been able to make direct contribution to policy making in



Uganda. Through its research findings especially in poverty, savings and investment, public spending, credit, land policy and trade liberalisation the Centre was able to influence directly policy decision in this regard. The Centre was instrumental in preparing official documents for the Poverty Eradication Action Plan (PEAP), the Universal Primary Education (UPE) and the Tracking of Public Expenditure in Primary Health and Primary Education. These have become the government mouth piece for policy direction in Uganda.

During 1996/97, a total of eleven (11) research proposals were received and seven (7) were approved. In addition, five studies were commissioned to EPRC, all of which were successfully completed. The commission studies provided the Centre the opportunity to prove that it is capable of producing high quality output which are of particular policy relevance to Uganda and in some respect Sub-Saharan African countries (SSA). The Centre, in collaboration with Oxford University and Free University of Amsterdam was involved in developing a CGE model of Ugandan economy. Similarly, the Centre completed and published four supply-driven studies which are in great demand by policy makers. To complement its policy analysis and reviews, the Centre initiated a series of review publication on the Uganda Economy published biannually in the "Commentary on Ugandan Economy". The Commentary provides a factual state of affairs related to the economy. It is planned that the commentary would be used to provide insights into the economy covering the immediate past three to six months and would offer comments for policy adjustment or improvement.

### **Information Dissemination**

Since dissemination of research findings has been the major draw-back in the Centre's out-reach program, a system of workshops, seminars and media coverage were organised/arranged. During 1996/7 a total of seven workshops and three seminars were organised and a series of articles were published in the newspapers. The Centre has continued to market itself through participation in local and international workshops and conferences. In most cases staff of the Centre have been invited as resource persons to present lead papers in various local and international fora.

### **Capacity Building**

One of the Centre's brainchild programme since the establishment of EPRC is the "Young Professional" (YP) and the "Staff Secondment" (SS) schemes. Under the Young Professional program, a total of eight (8) Young Professionals have been recruited. Two have completed special one year



attachment at Oxford University. Two others are pursuing PhD programmes at Oxford while two others are on attachment at the University of East Anglia, U.K. The YP program is intended to build capacity for future policy analysis.

The other popular scheme aimed at building capacity for policy analysis is the "Staff Secondment" (SS) schemes. This is based on short term attachments for senior staff of line ministries at EPRC. The attachment involved developing a problem solving research proposal directly related to the respective ministry's key interest. The researcher is then given research guidance by one of the EPRC senior researchers. During 1996/97, two senior economists were seconded to EPRC and both were involved in the development of the CGE modelling of the Ugandan Economy. By popular demand, three senior staff from other line ministries will be seconded to EPRC during the 1997/98 financial year.

### **Networking/Linkages**

EPRC has build through time high level profile in both its research activities and information dissemination. The Centre has established several linkages and collaborative activities with a number of reputable institutions through out the world. It has established linkages with Oxford University, Centre for the Study of African Economies and developed joint collaboration and networking with the African Economic Research Consortium (AERC), Harvard International Institute for Development (HIID), the USAID funded EAGER project, McGill University, Free University of Amsterdam, Cornell University, University of East Anglia and various ACBF funded Policy Research Centres in Sub-Saharan Africa.

### **Management**

The EPRC Board, and more specifically its various sub-committees (Finance, Research and Appointments) were actively involved, though discretely in overseeing the Centre's operation. In addition to screening candidates for appointments, vetting research proposals and reviewing audited accounts to ensure efficiency/effectiveness of the programmes, the Centre is managed on a day-to-day basis by the Executive Director. The Director is assisted by three Senior Research Fellows and a Programme Officer.

At its special meeting in November 1996, the Board reviewed the mid-term evaluation report prepared by the ACBF evaluators. The Board concluded that the report was inconsistent and contained misleading conclusion. Subsequently, ACBF acknowledged the reports inconsistency and



discussed with EPRC Board to clarify ACBF position. Hence ACBF agreed that EPRC should rationalise its budget to enable ACBF extend the grant termination date due to expire on 9th July 1997 to December 31, 1997. The rationalised budget was subsequently approved by ACBF in May 1997.

Meanwhile, the Centre continued to improve its administrative efficiency and implement new guidelines as directed by ACBF. Having developed an accounting manual, Accounts Clerk was employed to put in place all accounting records, inventory systems and identify any anomalies to assess the effectiveness of the system. The Board continues to review regularly the financial status of the Centre as reported by the Finance Subcommittee.

As of June 1997 the Centre had filled all the sixteen (16) staff positions, although the appointee for one position of Senior Research Fellow had not yet reported. He is expected to take up the position in September 1997. Meanwhile the Centre is reviewing its staff position to redefine job description, designations and responsibilities. This will ensure effective supervision and management control of the Centre.

## **Planning Phase II**

With rapid changing role and high profile which the Centre has build during the short period (since its establishment in 1994), it is important that the Centre carefully re-examines its future role and its long-term sustainability. Therefore planning for phase II was initiated at the last retreat in February 1997. Deliberations by the EPRC Board and ACBF on the future focus of EPRC provided important inputs for a strategic programme of action. Following the retreat and the 1996 EPRC evaluation a draft document was prepared for consideration by ACBF Phase II funding. The main emphasis here has been co-financing in the medium term, and self sustainability in the long-run.

The issue of Sustainability is perhaps the major concern for the Centre at this stage. All reports (evaluation and retreat) point out to the same concern. Hence, the Board of Management has recommended the establishment of an "Endowment Fund". The concept of an endowment is based on a "Trust Fund", where various stakeholders could pledge funds. A three-person committee has been appointed by the Board, to chart the course for the endowment fund. It is also proposed that various fund raising activities be initiated both locally and abroad.

## **Conclusion**

The Economic Policy Research Centre has had a successful year. All activities were carried out and completed within required time. The Centre is continually adjusting to the changing role of EPRC. The focus is on well



defined activities, emphasis on high quality of work and responsiveness to clients needs all of which have been the driving forces behind EPRC success, but there is still a lot to be done. The growing international and local interest in EPRC is a manifestation of the good work the Centre is doing. These keen interest we hope will continue in enhancing the Centre's image.

The Centre owes sincere appreciation to its Board of Management and the African Capacity Building Foundation for their untiring support. It is also important to mention the support given to the Centre by the Government of Uganda, donor communities and the general public, hence raising its profile both locally and internationally. All these must of course be viewed in terms of the high professional quality of work and dedication of the staff of the Centre. There is still much to be done, indeed, what we have achieved is only a drop in the bucket, but with continued dedication much more will be achieved.

## 2.0 RESEARCH PROGRAMME

### Priority areas

EPRC's thematic research priority areas during 1996/97 include:

- Poverty Alleviation
- Savings and investment
- Taxation (Tax structure)
- Informal Sector Analysis
- Trade and
- Agricultural Policy

The research activities are guided by the Research Advisory Panel chaired by the Executive Director. The six member sub-committee met seven times to screen and vet all proposals. Researchers presented progress reports regularly as an indicator of the ongoing work. This also served as a basis for subsequent disbursements of funds if the research is considered feasible. During 1996/97 a total of 11 proposals were approved and five which were initiated earlier were completed during the year.

## 2.1 Completed Research Projects Brief Abstracts

### (i) *Credit accessibility to the rural poor in Uganda*

*John Matovu and Luke Okumu<sup>1</sup>*

The design of traditional credit markets reflects the concern to policy makers that a shortage of affordable credit constrains growth in the rural sector in Uganda and prevents the rural poor's integration into the market

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<sup>1</sup> *Young Professionals, Economic Policy Research Centre, Makerere University Campus, Kampala.*



economy. The study basically identified the factors that influence an individual's choice of credit source, suggested an appropriate and viable system that could increase credit accessibility to the poor, and determined policy guidelines which could improve credit advancement to the poor. The findings and conclusions manifest that formal lending institutions should be more creative in dealing with the rural sector. Recommendations made indicated that the formal and/or informal lending institutions should rationalise collateral requirements and interest rates, simplify loan application procedures, share risks and uncertainties with borrowers, supervise and monitor projects, allow non-cash payments and contract lending in order for the rural poor to access credit.

**(ii) *Nature and Determinants of Domestic Savings in Uganda***

*Marios Obwona<sup>2</sup> and J.Ddumba-Ssentamu<sup>3</sup>*

In Uganda, domestic savings have been inadequate in view of optimal levels required for development and the country has increasingly relied upon foreign savings to finance the saving-investment gap. Empirical findings from an investigation into the nature and determinants of capital accumulation show that total domestic savings are determined by the level of national income and growth rate among other factors. The saving behavior of households is such that most of the savings exist in kind and disposable income is one of the major determinants of saving. It was evident that banks have not performed well in mobilising savings. While substantial increases in the volume of total savings in Uganda are unlikely in the short-run, short-term policies should concentrate on measures to mobilise existing resources from savers to investors. Policy options and an institutional framework for implementation are proposed for reforming the incentive structure.

**(iii) *Savings Mobilisation and Credit Conduits: Formal and Informal Financial Sector Linkages***

*Marios Obwona and Polycarp Musinguzi<sup>4</sup>*

The study revealed that reforming financially repressive policies is not sufficient to overcome fragmentation of financial markets because of structural and institutional barriers to linkages between formal and informal financial segments. Uganda has substantially fragmented

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<sup>2</sup> Senior Research Fellow, Economic Policy Research Centre, Kampala.

<sup>3</sup> Senior Lecturer, Makerere University, Kampala.

<sup>4</sup> Director, Research Department, Bank of Uganda



financial markets with weak linkages between formal and informal segments and differences in costs and risks are not enough to explain the interest rate differentials. The study showed that the relatively high transaction, information and enforcement costs and stringent collateral requirements of formal banking institutions make serving small businesses and households unattractive. Informal sector techniques may have an important role to play in serving these such clients. The findings imply that complementary measures to address institutional and structural problems should accompany financial liberalisation and bank restructuring. Such measures should include forging linkages between informal and formal financial markets, information availability and flexible collateral requirements.

(iv) *The Impact of Structural Adjustment Programme (SAP) on Poverty and Income Distribution in Uganda*

Fred Opio<sup>5</sup>

While SAP economic policies have had a significant impact on Uganda's economy since in 1987, poverty is still a major problem and widespread in the country. The study reviewed policies introduced under SAP and evaluated their impact on poverty reduction and income distribution. The effect of fiscal policies and other factors on the economy and poverty were examined. While results indicate that policy instruments have neither exacerbated nor reduced poverty, they strongly suggest that there is a missing link between SAP and poverty incidence. However, retrenchment and the tax policies were found to have contributed to poverty incidence. It was observed that capital spending has largely benefitted development in non-social sectors than in the social sectors. Hence the study recommended that a two-pronged approach to economic management be adopted for poverty reduction in Uganda.

(v) *Determinants of Foreign Direct investments (FDI) and their Impact on Economic Growth in Uganda*

Marios Obwona

When a country suffers a resource or savings gap, it also confronts a foreign exchange gap which can be filled with an inflow of foreign capital. It is useful to encourage FDIs because the increase in real income exceeds the resultant increase in the income of the investor. Domestic labour benefits in

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<sup>5</sup> Executive Director, Economic Policy Research Centre, Kampala



form of higher real wages, consumers in form of lower prices and government gets higher tax revenue. The aim of the study was to determine the nature and character of FDIs in Uganda, effects of government policy on FDIs and the contribution of FDIs to growth and development in Uganda. Results indicate that most of the foreign direct investment was in the manufacturing sector and the major driving force was an enabling environment constituting favourable economic and political conditions coupled with various investment incentives. It was also found out that foreign direct investment played a major role in promoting growth through creation of gainful employment and provision of tax revenue. The study recommended that the government and the private sector should establish a partnership on the basis of greater transparency. This could be achieved through government's dialogue with intermediate organizations such as the chambers of commerce, business councils, etc. With such an arrangement, government would encourage, stimulate, regulate and complement the private sector rather than compete with it. Above all government should maintain economic and political stability as a precondition for increased flow of FDI into the economy.

#### *(vi) Supply Response to Structural Reforms and Adjustment*

*Fred Opiyo and Marios Obwona*

Uganda's structural reforms and adjustment paid off by reducing inflation to single digit figures, reducing the fiscal deficit and increasing the overall rate of growth of the economy. The agricultural sector in particular registered an average growth rate of 4.5 percent between 1987/88 and 1994/95 despite the disruption by wars and the effect of unfavourable weather conditions mainly in 1992 and 1994. Agricultural output increased over the adjustment period. This could have been due to free market and trade liberalisation policy of structural reforms. Liberalisation of agricultural commodity prices and the privatisation or abolition of other marketing boards have minimised market costs and increased profitability and hence supply of agricultural products thereby improving the rural urban terms of trade. This has created a good background for expansion of non-traditional exports, mainly food crops like beans, maize and simsim. On the other hand, the industrial sector has also recorded some growth due to the favourable economic environment brought by the structural adjustment reforms. Specific policies that have favoured the industrial sector include; foreign exchange liberalisation, reduction in border restrictions, etc.



## 2.2 Completed Commissioned Studies

### (i) *An Evaluation of the Potential Closure of UCB Rural Network on the Provision of Financial Services*

*Fred Opiyo, Marios Obwona (EPRC) and DFC Team, Oxford University*

The rural demand and supply for financial services in Uganda was determined, and the social and economic impact of the closure of Uganda Commercial Bank (UCB) branches assessed. While UCB still has numerous strengths necessary for efficient provision of financial services, it is at the same time constrained by bureaucratic institutional rigidities which undermine its efficiency. Poor management is one of the major factors contributing to the failure of UCB. Results indicate a high demand for financial services in the rural areas with the majority of loans being channelled into agricultural enterprises. Proposals for improving the future of UCB were suggested mindful of the current privatisation policies in the country.

### (ii) *Tracking of Public Expenditure on Primary Education and Primary Health Care in Uganda*

*Fred Opiyo, Marios Obwona and Abel Ojor<sup>6</sup>*

Primary education and primary health care are among the priority program areas to which government allocates increased budgetary resources in order to benefit the poor. The management of these resources at the decentralized district and facility levels was evaluated in order to establish effectiveness and accountability with regard to provision of these services. The study identified a number of anomalies in the disbursement process of public funds to the facility level with the worst diversions being at district level. It conclusively determined that only 36 percent of the funds allocated towards primary education ever reach the facility levels. The problem is compounded by poor audit functions and accountability which make expenditure tracking difficult especially as there is no coherent policy on the usage of government's contribution to the districts. It is also evident that

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<sup>6</sup> Managing Director, Management Systems and Economic Consultants (MSE)



government's contribution to these services is still low. It recommended that financial tracking should be strengthened, accountability improved and government's contribution increased through the proposed measures.

### *(iii) Review of the Performance of Uganda Custodian Board*

*Fred Opio and Nathan Okurut<sup>7</sup>*

The Departed Asians' Property Custodian Board (DAPCB), charged with responsibility of managing and divesting properties of Non-citizen Asians, came into existence as a result of their expulsion in 1972. One of the Structural Adjustment Credit components was to speed up the resolution of claims on DAPCB properties in order to facilitate productive investment. A review of the divestiture programme by the DAPCB was carried out to assess progress, performance and constraints in the implementation process. Lessons from the divestiture process indicated success with 71.1% of the properties being repossessed. On a macro-level, the programme is having a significant impact on the economy in a number of ways. However, separation of powers and functions is imperative for efficient divestiture. It was observed that policies that promote private sector initiatives are a step in the right direction and should be supported.

### *(iv) Review of the Performance of Uganda Revenue Authority*

*Fred Opio and John Matovu (EPRC)*

Government's inability to mobilise domestic resources prompted it to undertake concerted action to broaden the tax base and rationalise tax administration system through the Uganda Revenue Authority (URA). URA is taking an initiative of rationalising taxes by introducing various taxes like Value Added Tax (VAT). The report gives a summary of the achievements that URA has done towards improving tax administration in the country and the constraints encountered. Generally, there has been some considerable improvement in the collection of taxes by URA with the total taxes, fees and licenses increasing from 7.0% to 7.8% of GDP in 1994. However, there is need for improvement in the collection of some taxes whose percentage of GDP has remained constant over the years. Although there are other constraints limiting revenue collection, lack of adequate

skills on the part of tax collectors is a major setback. Increased training for the revenue collecting staff would go ahead in resolving this problem and hence lead to more efficient revenue collection.

(v) *Review of the Performance of Technical Assistance Projects under TA II and TA III*

*Fred Opio and Luke Okumu (EPRC)*

The Second Technical Assistance Project (TA II) was initiated in 1984 to finance training, studies, experts, support equipment and facilities in Uganda. The Third Technical Assistance Project (TA III) was a follow up from TA II in 1989. The review paper gives an overview of the performance of the projects in terms of usage of funds and shortcomings in implementation. While TA II provided the necessary enabling environment for macro-economic stabilization, TA III provided the impetus for long-term economic stability and sustainability. TA II had several shortcomings such that its overall success is debatable while it could be argued that TA III had marginal success towards its set objectives of strengthening institutions, capacity building and provision of facilities. It would seem that further assistance of this nature would be needed in future but proper accountability is needed.

(vi) *Review of Post-liberalised Cereal markets in Eastern and Southern Africa.*

*Fred Opio, Tenkir Bongor<sup>8</sup> and Marios Obwona*

The study examined various policy instruments introduced by various governments in East and Southern Africa. The countries involved included Botswana, Eretrea, Ethiopia, Malawi, Mozambique, Lesotho, Tanzania, Uganda Zambia and Zimbabwe. Case studies of Ethiopia, Tanzania, Uganda, Zambia and Zimbabwe were used to evaluate the impact of the policy instruments on cereal markets. Uganda's case study was used to construct a policy analysis matrix (PAM) and develop policy guidelines. The general conclusion drawn from the studies indicated that the impact of the policy instruments on liberalisation of cereal markets have been marginal as the time under study was too short. However, liberalisation had improved market efficiency and provided greater competition.

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<sup>8</sup> Senior Research Fellow, EPRC



### 3.0 ON-GOING RESEARCH

**Table 1: On going research projects**

TITLE OF ACTIVITY/RESEARCH PROJECTS	OBJECTIVES	COMPOSITION OF RESEARCH TEAM
Community Poverty Profile	To establish the characteristics of poverty in various communities in Uganda.	F. Opio, Bigman (World Bank)
CGE Modelling of Uganda Economy.	To develop a medium term model of the Uganda economy to analyse issues like fiscal policies, impact of external shocks and poverty analysis.	M.B. Obwona, J. Matovu, Collier, Elbers & Gunning (Oxford & Free University, Amsterdam)
Formal and Informal Financial Sector Linkages.	To assess the degree of linkages between formal & informal financial sectors in savings mobilisation and credit delivery.	Obwona M.B, Polycarp Musinguzi (Bank of Uganda)
Public Sector Deficit and Macroeconomic Performance in Uganda	To assess the impact/relation of public sector deficit on key macro-economic varieties.	M.B. Obwona, Adam Mugume (Economics Department, Makerere University)
Uganda Post Reform Coffee Marketing System	To assess the conduct, structure and functioning of coffee sub-sector after the reform programmes.	T. Bongor, Ddumba Ssentamu (MUK) and Nabbumba R. (UCDA)
Poverty in Uganda: Multivariate Analysis	To establish the characteristics of poverty in various communities in Uganda.	F. Opio, P.O. Okwi: (MUK)
Empirical Evidence on the Determinants of Tax Revenue in a small open economy: The Case of Uganda	To Determine determinants of Tax revenue in Uganda	B. Mutambi (BOU) P. Musinguzi (BOU) M. Obwona (EPRC)
The Effectiveness of the treasury bill as an instrument of Monetary policy in Uganda	Effectiveness of treasury bill as a monetary instrument	M. Atingi-Ego (BOU)
Comparative Advantage and intra-regional trade for Uganda's low value non-traditional export crops: The case of Maize and Beans	Analysis of intra-regional trade in maize and beans	EAGER, M. Obwona, F. Opio
Monetary & Exchange Rate Policy in Uganda	Analysis of monetary and exchange rate policies	M. Obwona, P. Musinguzi EAGER
Commercialised Food Crops in Uganda: Implications on Household Food Security	Effect of Commercialisation of food crops on food security	B.P Mungyereza
Uganda's External debt and the burden it places on the economy	The effect of the National Debt on Growth	E. Tumukwasibwe

### 3.1 Publications and Disseminations

The Centre has published several research articles.

### 3.2 Refereed or invited articles

#### (i) *Structural Adjustment, Growth and Poverty in Uganda*

Fred Opiyo

Social indicators in Uganda are hardly more encouraging than they were at the introduction of the structural adjustment policy reform. While most economic indicators show impressive economic performance (sustained high GDP growth rate, low inflation, stable exchange rates etc.), the number of poor people has not declined. In effect, in some regions of Uganda they have increased. The proportion of the poor in the North and North Eastern regions of Uganda seems to have increased, although there are no trend data to measure explicitly such increase. There is however, fairly strong evidence to suggest that the last decade has seen a further deterioration in the social welfare of the population, most of whom constitute the poor. Social indicators such as life expectancy, maternal death rate, school drop-out rates, malnutrition etc, all show no significant improvement during this period. However, there is no sufficient evidence to suggest that the situation has been exacerbated by the impact of structural adjustment **per se**. In effect, there is no evidence that these conditions would not have gotten worse without the structural adjustment programme (SAP).

#### (ii) *Leaping into the Dark: Some Reflections on Free Primary Education in Uganda*

Simon Appleton<sup>9</sup>

The paper examines the possible benefits associated with primary education and summarises existing evidence from large scale household surveys on the relation between education and outcomes of interest. A clear pattern emerges showing that returns to primary school in Uganda are much lower than those of post-primary schooling. Each year of primary schooling appears to raise monetary outcomes of interest by around 3% per year of schooling. There is evidence that primary education has a modest impact on household incomes and brings non-monetary benefits. Three factors, the supply effect, "ability" considerations and school quality, are suggestive of a fall in returns to primary schooling in future.

<sup>9</sup> Employed by the Centre for the Study of African Economies (University of Oxford); collaborated with Makerere University.



### *(iii) Measurement of Poverty: A Basic Needs Approach*

*Paul Okiria Okwi<sup>10</sup>*

The causes of poverty in Uganda have been attributed to both internal and external factors although the former seem to have played a greater role. The Basic Needs Approach (BNA) was used to assess the extent of poverty in Uganda and results were compared to those obtained from conventional methods based on expenditure of households. Estimates indicate that 66% of households in Uganda are defined as poor with the figure being significantly higher than that obtained using the conventional approaches. The BNA was found to be superior in measuring poverty in Uganda and provision of basic needs was seen as one of the priority areas for poverty alleviation.

### *(iv) Policy Formulation in Uganda*

*Tim Lamont*

Policy formulation is due to a collective desire to optimise social welfare given the options at hand. Governments are therefore utility maximisation entities aimed at satisfying social needs of the people. On the other hand, Uganda represented the case of a "predator" state particularly the 1980s when there was no policy direction. However, the NRM created a wave of policy formulation where the people were the instruments of change through the Local Councils. The major policy formulation dimension covered were political liberalisation, people as instruments of change and the level of public debate. Most of these have been facilitated by constitutional developments. Institutional arrangements have permitted quick decision on economic policy reforms supported by internal building of consensus through sensitisation seminars and public debate. Technical preparation groups help analyse the data collected before developing policies to be approved by cabinet. These are supported by the Presidential Economic Council, Donors and various lobby groups. In summary, the freedom to debate economic issues has been facilitated by institutional arrangements for economic policy formulation that favours action by a rather narrow group before a wider debate. This is an effective system for accelerating reform in a gradual and systematic manner.

### *(v) Does Economic Policy Research Matter?*

*Fred Opiio*

The major argument for economic policy research lies in the fact that unless economic policies are based on the workings of the economy, it ought to be misguided. Economic Policy Research therefore provides not only the

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<sup>10</sup> Lecturer, Economics Department, Makerere University, Kampala



basic but also the direction for policy formulation. It shows both the consistencies and contradictions in the behavior of major economic variables like inflation, fiscal deficits, balance of payments position, and Investment and savings levels which form the framework for economic policy formulation. Economic policy led by research minimises the "Time inconsistency Problem"; that is, it eliminates the possibility of policy reversals over time.

(vi) *Economic Policy Research and Institutional Linkage*

Nitin Madhvani<sup>11</sup>

The importance of institutional development cannot be over emphasized. EPRC is trying to develop the best skills available anywhere in the world. It is clear that quality human resources are essential and EPRC through its training of Local staff including the Young Professional Scheme is trying to develop this capacity. EPRC as a strategic government institution has the challenge for designing policies to regenerate the economy. Inevitably it must draw upon the skills and experience of the best institutions throughout the world that are engaged in various disciplines. In this light, EPRC has closed linkages with the Centre for the study of African Economies (Oxford University), University of Harvard, East Anglia and Sussex among other institutions worldwide.

(vii) *Policy Analysis vs Policy Research*

Marios Obwona

Policy research predicts the impact of changes in variables that can be altered by government. On the other hand, policy analysis involves the analysis and presentation of alternatives available to political actors for getting solutions to public problems. In technical terms, the policy analyst constructs the "possibility line" while the policy researcher constructs the "welfare contours". Unless this distinction is clear, it may result in irrational policy formulation. The major problem is that it is often difficult to translate policy research findings into government action and hence policies formulated based on empirical findings are often delayed.

### 3.3 Papers Presented at Conferences/Workshops

(i) *Employment and Poverty Reduction in Uganda*

Fred Opio and Marios Obwona

The paper highlighted the central role of government in reducing poverty. It emphasised the fact that government should implement the two-pronged

<sup>11</sup>

Member of Oxford Cambridge Society



strategy of adopting the policies that will accelerate economic growth and policies that will invest in human capital, thereby ensuring that the poor are able to participate equitably in that growth. Given that Uganda is dominantly an agricultural economy, its growth strategy must focus on increasing agricultural yields by raising the productivity of the farmer particularly the women who dominate the agricultural sector. The paper also noted that the real challenge to economic recovery in Uganda now lies with the initiation of poverty reduction programs to improve the living standards; through the provision of social services such as health care, education, employment, infrastructure.

(ii) *National Poverty Reduction Strategies: The Case of Uganda*

*Fred Opio*

### **National Poverty Reduction**

Structural adjustment policies began in Uganda in 1981. The reforms were aimed at improving fiscal and monetary policies including control of inflation, exchange rate re-alignment, improved liberalised market systems, and the return of expropriated properties. But in 1987 further structural adjustment policies were introduced. These policies aimed to:

- (i) rehabilitate the economy and promote growth;
- (ii) stabilise the economy and reduce inflation, and;
- (iii) minimise the balance of payments crisis.

Uganda achieved stabilisation and growth between 1988-95, with growth averaging over 6 per cent. But poverty did not decline.

Recent economic growth and the top-down trickling have not been sufficient for poverty reduction. The number of relative poor in Uganda increased from 34.8 per cent in 1989 to 36.3 per cent in 1995, although the number of core poor decreased from 10.2 to 6.2 per cent over the same period. All of the major social indicators also worsened during this same period. Currently, the gap between the rural and urban poor is very significant; 46 per cent of rural household are poor compared to 13 per cent in urban areas. 70 per cent of small land owners are among the core poor. The most affected groups are children, women, widows, disabled, street children and those living in the Northern part of the country.

### **Poverty Reduction Strategy**

Several poverty reduction programmes have been introduced since the structural reforms of 1987 including:

- (i) the Programme for the Alleviation of Poverty and Social Cost of Adjustment (PAPSCA);
- (ii) Poverty Alleviation Project (PAP), and;
- (iii) Universal Primary Education (UPE).

More recently, the Poverty Eradication Action Plan initiated in 1995 to identify priorities and guide policies, setting the policy framework for the next two decades. This led to an Anti-Poverty reduction strategy unveiled in July 1997. While SAP has contributed to rapid economic growth, its impact on poverty reduction has been marginal. Hence SAPs require additional reforms with supply-driven programmes.

- (iii) *Comparative Case Study of Poverty Reduction Strategies in Sub-Saharan Africa: the Case of Ghana, Malawi, Tanzania, Uganda and Zimbabwe*

Fred Opio

The term minimum wage is variously used to denote legally enforceable lower limits upon which wages are fixed. The concept of minimum wage is derived from the concept of labour productivity. This assumes that for a given labour input, there is some level of output which reflects the productivity of that labour. On the basis of this output, a return to labour can be derived while disaggregating the contribution of other inputs to that output. Hence, a minimum wage should in effect represent a **net return to labour**. But, in practice, while it is difficult to set wages at the minimum return to labour, because there are other factors that must be considered, for instance, wage distortions, its impact on inflation and other related economic issues, there is a general consensus that it should form the basis for wage determination. For this reasons minimum wage has generally reflected regulatory levels upon which wages are fixed.

The need for a statutory minimum is quite compelling in Uganda. The practice of "**sweating**" is quite common in Uganda. Due to the high level of unskilled/semi-skilled labour supply, many employers tend to offer low wages to the otherwise desperate unemployed. To minimise their costs and exploit the high demand for wage employment. Without a statutory minimum wage, the decision on what wage to pay is generally very subjective. Preferential wage setting is common for unskilled and semi-skilled workers particularly when the employer has no or little knowledge about the employee's skills and abilities.

Given ethnic diversity in Uganda and kinship preferences, employers have a tendency to prefer employing relations and members of their kin, but



where non relations are employed, there is a tendency to pay lower wages to non- relations or kin. This tends to frustrate workers and compromise quality and standards. A statutory minimum wage for new job entrants is also necessary to motivate and encourage such workers to gain experience without being exploited for their lack of experience. To rationalise part-time employment, the system of minimum wage can facilitate the setting of hourly rates. This would also minimise the practice of **sweating** and avoid exploitative practice and tendencies.

Given the various experiences in other developed and developing countries including Africa, the need for a minimum wage in Uganda is compelling. Experience in Uganda suggests that the practice of **sweating** is common and there are several anomalies in the payment of wages in Uganda. These anomalies can be rectified if a statutory minimum wage system was in place.

(iv) *Agricultural Development and Policy Reforms in Least Developed Countries Overview of Issues, Problems and Prospects*

Fred Opio

An examination of the UNCTAD report on least developed countries (LDCs) provides a comprehensive review of issues, problems/constraints and prospects for LDCs economies. After an extensive survey of what has gone wrong with LDCs' economies the report concludes that for LDCs' economies to grow, they must make agriculture the focal point for long-term sustainable development. Indeed, Agriculture has for long, continued to be the most important economic activity for many LDCs and for that matter Uganda. During the early 1990s, Agriculture provided more than a third of the gross domestic product (GDP) of most least developed countries, and over 50 per cent of Uganda's GDP. In many LDCs, agriculture employs over two-thirds of the labour force; and yet its growth rate falls far below the population growth. This implies that many LDCs have to depend on significant food imports and food aid to supplement their short fall, hence making LDCs more dependent on food aid even in times of good harvest. Between 1990 and 1993, LDCs food imports averaged 3.6 per cent of GDP, while that of the Sub-Saharan African countries (SSA), which form the bulk of the LDCs group averaged 5 per cent.

The sluggish growth for LDC agriculture cannot entirely be dissociated from recovery in LDC economies. Sound macroeconomic policies that ensure a healthy economy through efficient utilisation of scarce resources will have significant beneficial effects on the agricultural sector. An efficient transportation network will improve the efficiency of domestic

markets (for inputs and outputs); a good educational system should improve the educational level of farmers and enhance their receptiveness to new farming practices and technology; and efficient rural financial intermediation will improve farmers' access to credit to finance investments and new inputs associated with new technology. Similarly, supply of potable water and an effective health care delivery system will enhance the health and productivity of farmers.

Countries that have increased agricultural output, and hence food security, have a track record of strong political emphasis on economic incentives for agricultural production, and investments in training, research and extension services. This underlines the importance of promoting research efforts to make available, and implement, new agricultural technology. Hence without external assistance, almost all LDCs lack the necessary skills and resources to undertake the huge investments involved in the activities and policies suggested above, a fact which underscores the need for enhanced technical and financial assistance.

## **4.0 WORKSHOP/SEMINAR PROGRAMMES SINCE 1994**

### *Brief Background*

#### **4.1 Workshops**

- a) "Changes in Poverty in Uganda", June 20th 1994, Nile Hotel. Organised by EPRC and CSAE.
- b) "The Challenge of Capacity Building in Africa", January 24th - 25th 1995, Sheraton Hotel. Organised by EPRC and African Capacity Building Foundation.
- c) "Poverty Status in Uganda", March 16th-17th 1995, EPRC. Organised by EPRC and Centre for the Study of African Economies (CSAE) in collaboration with the Department of Economics, Makerere University and Department of Statistics, Ministry of Finance and Economic Planning.
- d) "Credit Accessibility to the Poor", September 19th 1995, EPRC. Organised by EPRC.
- e) "Nature and Determinants of Domestic Savings in Uganda", December 13th 1996, EPRC. Organised by EPRC.
- f) "Poverty Assessment and Monitoring Systems", February 23rd 1996, EPRC. Organised by World Bank, EPRC and Department of Statistics.



- g) "The Use of CGE Models in Policy Analysis", July 11th 1996, EPRC. Organised by EPRC.
- h) "Non-Governmental Organisations and Rural Poverty Alleviation: The Case of Uganda", July 12th 1996, EPRC. Organised by EPRC.
- i) "Determinants of Foreign Direct Investment and Their Impact on Economic Growth in Uganda", April 4th 1997, EPRC. Organised by EPRC.
- j) "The Ugandan CGE Model", June 6th 1997, EPRC. Organised by EPRC.
- k) "The Importance of Securing Property Rights in Uganda: Drawing from the Asian Experience", July 2nd 1997, Sheraton Organised by EPRC, NARO and Department of Agricultural Economics.
- l) "The Uganda Land Bill: Its Importance to Poverty Eradication in Uganda", September 2nd 1997, Sheraton Hotel. Organised by EPRC.

#### 4.2 Seminars

- a) "Research Programme for the Economic Policy Research Centre", April 6th 1994, Sheraton Hotel. Aim: Formulate an initial research programme for EPRC.
- b) "Structural Adjustment and Poverty in Africa", July 19th 1995, EPRC Conference Room. Organised by EPRC and World Bank.
- c) "The Challenge of Growth and Poverty Reduction in Uganda", November 6th 1995, International Conference Centre. Organised by Government of Uganda and World Bank.
- d) "Adjustment Policy, Employment and Labour Market Institutions in Uganda", February 29th 1996, EPRC Conference Room. Organised by EPRC.
- e) "Adjustment, Employment and Labour Market Institutions in Sub-Saharan Africa", September 25th - 27th 1996, International Conference Centre. Organised by EPRC and Employment and Training Department of ILO.
- f) Retreat on the Research Direction and Sustainability of the Economic Policy Research Centre; Windsor Lake Victoria Hotel. February 24-25, 1997. Organised by EPRC

## **5.0 REGULAR PUBLICATIONS**

- (a) The EPRC Monthly Digest
- (b) EPRC Research Series (regularly)
- (c) EPRC Commentary on the Uganda Economy (bi-annual)
- (d) The Economic Policy Bulletin (bi-annual)
- (e) EPRC Annual Reports

## **6.0 LIBRARY SERVICES**

The demand for socio-economic data and other information on the economy has created the need for information and documentation. A Library has been established with the objectives of acquiring, organizing, preserving, disseminating and promoting economic information. The Centre has initiated a net working system for information generators and users in Uganda.

### **6.1 Databases**

- Research and Conference papers
- Ugandan Publications
- World Bank Publications
- Periodicals
- Text Books and General Reference materials

### **6.2 Services**

Reference services, E.mail and Internet Services, Newspaper Clippings, Accession Bulletins, Contents Pages of Journals, Photocopying Services, Social Science Citation Indexes on CD-Roms

## **7.0 WHAT CAN EPRC OFFER YOU?**

- Research opportunities on economic policy issues
- Library services
- Networking, a system involving various institutions in Uganda, East Africa and elsewhere to consolidate ongoing economic policy research.
- Workshops/Seminars are organized regularly for intellectual interactions
- Consultancies
- Computer services to researchers and consultants.
- Conference facilitation and associated facilities.
- Twinning
- Attachments/Secondment/Young Professional Programme
- Sabbatical/Collaborative Research Activities
- Fellowships for Graduate Training.



Table 2:

## EPRC 1997 WORK PROGRAMMES

	JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN'98
<b>ITIES</b>	1997							1997					
<b>Research</b>													
Poverty Action Plan Study													
Structural Adjustment Review													
Community Based Poverty Profile													
Poverty Monitoring													
<b>Fiscal Policy - savings &amp; Investment</b>													
Determinants of foreign investment													
Earnings & development potentials													
CGE modelling													
Reviews of Uganda's Economy													
<b>Taxation</b>													
Evaluation of VAT													
<b>Trade Policy</b>													
<b>Agricultural Policy</b>													
Agricultural policy reform study													

Table: 3

## YOUNG PROFESSIONAL AND SECONDED STAFF WORK PLAN

YEAR 1				YEAR 2				YEAR 3			
Oct-Dec	Jan-Mar	April-June	July-Sept.	Oct-Dec	Jan-March	April-June	July-Sept	Oct-Dec	Jan-March	April-June	July-Sept
Tasks											
1. Attachment to Senior staff to familiarise with EPRC workings	1. Prepare a research proposal for funding by EPRC on identified topics.	1. Undertake approved guided research	1. Complete research write up	1. Proceed on Attachment	On attachment	On attachment	On attachment	1. Return to EPRC	1. Participate in developing and writing of commentary on Uganda's economy	1. Continue with research in progress	1. Complete research and present seminars
2. Assist Senior Researchers	2. Assist Senior Researchers	2. Assist Senior Researchers	2. Assist Senior Researchers	Continue with on-going research while on attachment				2. Participate on EPRC's activities	2. Undertake independent research but assisted by senior research staff	2. Participate in Centres' activities	2. Identify relevant institution to seek employment - Centre to assist
3. Participate in Centres activities	3. Participate in Centres activities	3. Identify Institution for attachment to be identified		3. May register for formal courses				3. Develop research proposals for funding	3. Participate in the Centres' activities	3. Participate in part-time teaching at the University	
4. Participate in the preparation of EPRC Bulletin	4. Participate in the preparation of commentary on Uganda's economy	4. Participate in the preparation of EPRC Bulletin						4. Participate in the preparation of EPRC Bulletin	4. May participate in part-time teaching of the University		



The Centre has identified five priority areas namely, Poverty Reduction, Macroeconomic Issues, Taxation, Informal Sector Analysis and Trade/Agriculture Sector Policy Analysis. Each Young Professional is expected after 2-3 months of acquaintance with EPRC work, to choose an area of interest from the above and develop research proposal. Preferential professional career under the Young Professional scheme will be decided by the Executive Director in consultation with each young professional. Broadly the area of specialisation are listed below.

### **EPRC Area of Specialisation**

1. Macro-Economics (Fiscal Policy, Taxation, Foreign Investment, Savings, etc)
2. Monetary Economics (Foreign Exchange and general monetary economic issues)
3. Econometric/Statistics (General, Research Methodology, Quantitative Methods, etc)
4. Development Economics (Poverty Economic Growth and Development)
5. Trade (Trade Liberalization, Cross Border Trade, Market Liberalisation, etc)
6. Agricultural Economics (Agricultural Policy, Modernisation of Agriculture, Food Security, Resource Economics and Environmental issues)

# APPENDICES

## Appendix 1:

## EPRC Board of Management

1. Mr. Emmanuel Tumusiime-Mutebile	Permanent Secretary/Secretary to Treasury Ministry of Finance and EPRC Chairman of the Board of Management.	Chairman
2. Prof. Justin Epelu-Opio	Deputy Vice Chancellor, Makerere University and Deputy Chairman of EPRC Chairman of the Board of Management	Deputy Chairman
3. Prof. Lutalo Bwosa	Principal, Institute of Teachers' Education at Kyambogo, (ITEK)	Member
4. Hajji Badru Bunkeddeko until November 1996 and replaced by Mr Bonney M. Katatumba	Chairman, Ugand Chamber of Commerce President, Uganda Chamber of Commerce & Industry	Member
5. Dr. John Ddumba Ssentamu	Head, Dept. of Economics Makerere University	Member
6. Dr. William Samson Kalema	Director, Uganda Manufacturer Association (UMA)	Member
7. Dr. Louis Kasekende	Executive Director Research and Policy, Bank of Uganda	Member
8. Mr Nitin Jayant Madhvani	Director, Madhvani International	Member
9. Hon. Israel Mayengo until November 1996 and replaced by Hon. Isaac Isanga-Musumba	Member of National Resistance Council (NRC) Member of Parliament	Member
10 Prof. Apolo Nsibambi until April 1996 and replaced by Dr. John Munene	Director, Makerere Institute of Social Research (MISR)	Member
11. Prof. Patrick M.J. Ntozi until November 1996 and replaced by Mr. George Walabyeki Kibirige	Director, Institute of Statistics and Applied Economics (ISAE)	Member
12 Dr. Zerubabel M. Nyirira	Executive Secretary Uganda Council for Science and Technology (UCST)	Member
13 Prof. Erisa Oluwenyi Ochieng until November 1996 and replaced by Mr. Chris Kassam	Director, Ministry of Finance & Economic Planning (MFEP) Permanent Secretary, Ministry Planning & Economic Development (MPED)	Member
14. Dr. Fred Opio	Executive Director, Economic Policy Research Centre (EPRC)	Member (Ex-Officio)
15 Mrs. Evelyn Nkalubo-Muwemba Programme Administrator until July 1997		Secretary



## **Appendix 2: Economic Policy Research Centre Secretariat (Technical & Support Staff)**

1. **FRED A. OPIO**, B.Sc., M.Ec., PhD (Planning/Development Economist) Executive Director. Twenty six years of work experience in academic and civil service. Involved in research, consultancy, management and capacity building. Special interest in research mainly in poverty, general macro-economic policy, trade and development paradigm.
2. **MARIOS B. OBWONA**, B.Stat., M. Econ., PhD, Macro-economist/Econometrician. Senior Research Fellow. More than 10 years experience in teaching econometrics at University level and in quantitative economic analysis of development issues with a strong focus on savings and investment process, productivity measures. Has undertaken economic research on key areas of the Ugandan economy and has published extensively articles in international and local journals.
3. **TENKIR BONGER**, B.A, PGD, M.Sc., PGCE, PhD (Agricultural Economist/Trade Specialist) Senior Research Fellow. Extensive Policy oriented research on Agricultural Technology Agrarian transitions, Agricultural Marketing, Extension and Poverty. Management Experience in Rural Development and Coffee Marketing. Tertiially level teaching in Ethiopia, UK and Zimbabwe. Current research interest rural development, poverty and the evaluation of impact of structural adjustment.
4. **GODFREY BAHIGWA**, B.Sc., M.S., PhD, Agricultural Economist. Senior Research Fellow. Specialising in Agricultural Policy, with interest in Econometrics and Economic Development. Have worked at Makerere University (Dept. of Agric. Econ.), Food and Agricultural Policy Research Institute, Columbia, Mission (USA) and the World Bank, Washington, D.C.
5. **JOHN MARY MATOVU**, B.Sc. Stat, Mph. Econ, PhD. (ongoing) (on leave). Young Professional. Six years working experience in University lecturing and research. Interest in research activities in areas of development economics and macro economics.
6. **LUKE JOVITA OKUMU**, B.Sc. (Econ/Stat.), M.A. Econ., M.Sc. (Quantitative Dev. Econ) (on leave) Economist. Young Professional. Ten years working experience both in government and NGO involved in research and consultancies.
7. **ENOTH TUMUKWASIBWE**, B. Stat (Hons), M.A, Applied Economics, PhD (ongoing)(on leave). Young Professional. Six years experience as a researcher/consultant and University lecturer. Current research areas include determinants of savings and investment in development countries, external debt management, and international trade policy. Other research areas include use of micro data in agricultural policy planning and analysis and use of micro data in poverty alleviation.
8. **BEN PAUL MUNGYEREZA**, M.A. (Development Planning), M.Sc. (Dev. Economics). (on leave). Young Professional. Six years experience in University

- lecturing and research. Areas of interest include Macro-economical Policy Analysis, Development Planning and Household Economics.
9. **MARILYN KAMANYIRE**, B.A. Econ., MA Econ. (Dev & Int. Trade). Young Professional. Six years experience both in government and NGOs. Interested in trade policy related areas of development.
  10. **ANTHONY NGORORANO**, M.A. (Econ.) Young Professional. Four years working experience in research. Interested in development policy and analysis related areas.
  11. **ROSETTI NABBUMBA**, B.Sc. Agric., M.Sc. (Agric. Econ.) Young Professional. Five years working experience in government and private/consultancy institutions covering agriculture, environment and politics. Areas of interest include agricultural policy and environment management.
  12. **DARLISON KAIJA**, B.Sc. (Econ.), M.A. (EPP). Young Professional. Three years experience covering University Lecturing, Teaching Training and Research. Areas of interest cover Development Economics, Quantitative Economics, Econometrics, Research Methodology and Policy Analysis.
  13. **MRS. EVELYN NKALUBO-MUWEMBA**, Dip. Legal Prac., LLB, MBA. Programme Administrator. Twelve years working experience covering legal, finance and administration.
  14. **MRS. SARA KAGODA-BATUWA**, Dip. Lib., B.A., M.Lib. Librarian. Eighteen years of experience both in government and NGOs. Librarian, Documentalist, Researcher and Trainer.
  15. **PETER ODENG-ECHODU**, UDBS. 'Accounts Assistant. Twelve years working experience in Accounting field. Areas covered budgeting, book-keeping (manual and computerized) payroll management and final accounts.
  16. **CAROLINE AGUTI**, Cert. (Mgt. Dev. Program), Dip. (Secretarial Studies). Personal Secretary. Thirteen years experience both in government and NGOs covering secretarial and administrative duties. Areas of interest is Human Resource Management.
  17. **ELIZABETH K. KISEMBO**, Dip. (Stenography), Pitman Cert. (Typing and Shorthand), Computer Secretary. Seven years working experience of secretarial duties.
  18. **ESAU ECIL**, O'Level Cert., Driving Permit (Class C and E). Driver. Nine years driving experience.
  19. **LILIAN AMONGI**, Cert. in Stenography. Messenger/Cleaner. Seven years working experience as Typist, Receptionist, Cleaner.
  20. **ROBERT MUZAYA**, O'Level Cert. Messenger/Gardener. Three years working as Cleaner/Messenger/Gardener.



### **Appendix 3:**

### **Research Advisory Panel**

1. Dr. Fred Opio	Executive Director, Economic Policy Research Centre (EPRC)	Chairman
2. Dr. John Ddumba Ssentamu	Head, Department of Economics Makerere University	Member
3. Dr. William Samson Kalema	Director, Uganda Manufacturer Association (UMA)	Member
4. Mr Nitin Jayant Madhvani	Director, Madhvani International	Member
5. Dr. Zerubabel M. Nyiira	Executive Secretary Uganda Council for Science and Technology (UNCST)	Member
6. Dr. Louis Kasekende	Executive Director of Policy and Research Bank of Uganda	Member
7. Dr. S.T. Muwanga-Zake	Commissioner for Statistics, Ministry of Planning and Economic Development	Member
8. Mr. Damoni Kitabire	Director of Budget, Ministry of Finance	Member
9. Mr. Grace Lwanga-Musoke	Coordinator, Private Sector Foundation	Member
10. Dr. S.I. Kiggundu	Chairman, Greenland Bank	Member
11. Prof. S. Lwanga-Lunyigi	Special Presidential Advisor on Research	Member
12. Mr. John Twinomusungizi until July and replaced by Mr. Aziz	Managing Director, Uganda Dev. Bank	Member

### **Appendix 4:**

### **Appointments Committee**

1. Prof. Justin Epelu-Opio	Deputy Vice Chancellor Makerere University	Chairman
2. Mr. Chris Kassami	Permanent Secretary, Ministry of Planning and Economic Development	Member
3. Hon. Isaac Isanga-Musumba	Member of Parliament	Member
4. Dr. Fred Opio	Executive Director, Economic Policy	Member
5. Mr. Bonney M. Katatumba	President, Uganda Chamber of Commerce & Industry	Member

**Appendix 5:****Finance Committee**

1. Prof. Lutalo Bbosa	Principal, Institute of Teachers' Education, Kyambogo, (ITEK)	Chairman
2. Dr. Fred Opio	Executive Director, Economic Policy Research Centre (EPRC)	Member
3. Mr. George Kibirige	Director, Institute of Statistics & Applied Economics	Member
4. Dr. John Munene	Director, Institute of Statistics and Applied Economics (ISAE)	Member
5. Mr Nitin Jayant Madhvani	Director, Madhvani International	Member



**REPORT OF THE AUDITORS  
TO THE BOARD OF MANAGEMENT  
OF THE ECONOMIC POLICY RESEARCH CENTRE**

We have audited the accounts and found that the accounts are in agreement with the books of accounts. We obtained all the information and explanations which the best of our knowledge and belief were necessary for the purpose of our audit.

**Respective responsibilities of directors and auditors**

The Board of Management is responsible for the preparation of the accounts which give a true and fair view of the Centre's state of affairs and its surplus or deficit of income over expenditure. Our responsibility is to express an independent opinion on the accounts based on our audit and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the accounts are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the accounts.

**Opinion**

In our opinion proper books of account have been kept and the accounts give a true and fair view of the state of affairs of the centre at 30th June 1997 and of its deficit of income over expenditure and changes in the funds balances for the year then ended.

## 1. NATURE OF THE ORGANISATION

Economic Policy Research Centre (EPRC) was incorporated in 31 March 1993 under section 16 (1) of the Companies Act as a company limited by guarantee and not having share capital. The board of trustees of this company is referred to as the Board of Management. It is an autonomous non-profit making organisation, financed by the African Capacity Building Foundation (ACBF), A subsidiary of the World Bank. The Centre is involved in highly level research and consultancies aimed at enhancing and building the national capacity for economic policy formulation/analysis and decision making. EPRC's research priority focuses on savings and investments, poverty alleviation, tax structure, informal sector and trade policy.

## 2. ACCOUNTING POLICIES

### (i) Basis of accounting

The accounts have been prepared on cash basis.

### (ii) Local Currency Transactions

Transactions denominated in Uganda shillings are translated to US dollars at an average rate of exchange at the date of the transaction.

### (iii) Fixed Assets

Tangible Fixed Assets are stated at cost less accumulated depreciation. Depreciation is calculated to write down the cost of fixed assets on a straight line basis over their expected useful lives. The annual rates used for this purpose are:

	%
Building	-
Motor vehicles	25
Office equipment	12.5
Computers	12.5
Library set-up	12.5



# AUDIT TABLE 1

## CONSOLIDATED STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED 30 JUNE 1997

	Note	1997	1996	1995
		US\$	US\$	US\$
<b>SUPPORT AND REVENUE</b>				
Grants from ACBF		315,301	264,582	445,600
Grants from Uganda Gov't		26,033	79,888	54,434
Other Income	8	86066	82103	9208
		427,400	426,573	509,242
<b>EXPENDITURE</b>				
Personnel salaries & benefits		230,673	145,522	95,529
Research & Publications		102,009	94,724	18,636
Operations & Maintenance		47,050	37,636	34,855
Contingency		59,495	39,999	32,046
		<u>439,227</u>	<u>317,881</u>	<u>181,066</u>
Deficit / Surplus of income over expenditure		<u>(11,827)</u>	<u>108,692</u>	<u>328,176</u>
Accumulated Fund at the beginning of the year		<u>555,369</u>	<u>446,677</u>	<u>118,501</u>
Accumulated Fund at the end of the year		<u>543,542</u>	<u>555,369</u>	<u>446,677</u>

## AUDIT TABLE 2

CONSOLIDATED BALANCE SHEET - 30 JUNE 1997

	Note	1997	1996	1995
		US\$	US\$	US\$
FIXED ASSETS	4	418,255	423,971	398,687
CURRENT ASSETS				
Debtors and prepayments		-	14,439	-
Cash and bank balances	5	131,287	131,882	58,042
		131,287	146,321	58,042
CURRENT LIABILITIES				
Creditors	6	6,000	14,923	10,052
NET CURRENT ASSETS		125,287	131,398	47,990
		543,542	555,369	446,677
Financed by:				
Accumulated Fund	7	543,542	555,369	446,677

The accounts were approved by the Board of Management on .....and  
were signed on its behalf by:

..... Director

..... Director

Separate Reports of the auditors are available



**AUDIT TABLE 3:**

**CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF  
FUNDS FOR THE TEAR ENDED 30 JUNE 1997**

	1997	1996	1995
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
<b>OPERATING SURPLUS DEFICIT</b>	(11,827)	108,692	328,176
<b>ADJUSTMENT FOR ITEMS NOT INVOLVING THE MOVEMENT OF FUNDS</b>			
Depreciation	29,472	25,209	16,554
Funds generated from operations	17,645	133,901	344,730
<b>OTHER SOURCES OF FUNDS:</b>			
Refund from suppliers of pick-up double cabin registration No. 293UAX	-	3,203	-
<b>APPLICATION OF FUNDS</b>			
Purchase of fixed assets	(23,756)	(53,695)	(375,510)
<b>INCREASE / DECREASE IN WORKING CAPITAL</b>			
Debtors	14,439	(14,439)	2,265
Creditors	(8,922)	4,871	6,718
	(594)	73,841	(21,797)
<b>INCREASE / DECREASE IN LIQUID FUNDS</b>			
Bank and cash balances	(594)	73,841	(21,797)

# AUDIT TABLE 4

## DISBURSEMENT FROM FUNDING AGENCY - AFRICAN BUILDING FOUNDATION

	US\$	US\$
<b>Total approved grant</b>		<b>1,500,000</b>
Disbursement there from during 6 months to 30.6.94	183,289.17	
during 12 months to 30.6.95	445,599.51	
during 12 months to 30.6.96	264,582.31	
during 12 months to 30.6.97	<u>315,301.37</u>	
<b>Total disbursement</b>		<b><u>1,208,772.36</u></b>
30.6.97 balance not yet disbursed		<b><u>291,227.64</u></b>

Under Article II Section 2.01 of the grant agreement, signed on July 1993, the approved grant of US\$ 1,500,000 is to be disbursed over 4 years. Also Section 2.04 states that the grant account shall be closed, and the recipient's right to withdraw from the grant account terminated on the closing date i.e. on 6 July 1997 or such a later date as ACBF after consultation with the recipient, EPRC, may establish.



# **AUDIT TABLE 5:**

<b>4. FIXED ASSETS</b>	<b>Vehicles</b>	<b>Computers</b>	<b>Office Equipment</b>	<b>Furniture</b>	<b>Library set-up</b>	<b>Building</b>	<b>Total</b>
<b>Cost</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
1 July 1996	35,150	34,902	27,880	41,680	26,913	299,208	465,733
Additions	6,000	2,990	0	0	7,112	7,654	23,756
30 June 1997	41,150	37,892	27,880	41,680	34,025	306,862	489,489
<b>Depreciation</b>							
1 July 1996	12,953	8,423	6,766	9,780	3,840	0	41,762
Charge for the year	11,788	4,736	3,485	5,210	4,253	0	29,472
30 June 1997	24,741	13,159	10,251	14,990	8,093	0	71,234
Net Book Value	16,409	24,733	17,629	26,690	25,932	306,862	418,255
30 June 1996	22,197	26,479	21,114	31,900	23,073	299,208	423,971
Budget allocation to each asset category	20,000	90,000	25,000	20,000	40,000	200,000	395,000

# AUDIT TABLE 6:

6. CREDITORS	1997 US\$	1996 US\$	1995 US\$
Accrued Audit fees	6,000	6,000	7,254
Accrued Pay As You Earn	0	8,923	1,746
Spider - Supplies of furniture	0	0	954
Amount refundable to ACBF	0	0	98

6,000	14,923	10,052
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7. STATEMENT OF ACCUMULATED FUND	1997 US\$	1996 US\$	1995 US\$
At 1st July	555,369	446,677	118,501
Deficit / Surplus for the year	(11,827)	108,692	328,176
At 30 June	543,542	555,369	446,677

8. OTHER INCOME	1997 US\$	1996 US\$	1995 US\$
Donations	4,000	0	0
Motor vehicles refund	2,857	0	0
Bank interest received	515	201	1,188
Photocopying	26	153	140
Fax / Telephone	369	427	0
Consultancy	56,699	44,986	3,164
Sale of bulletins	0	170	0
Conference room hire	2,588	3,350	0
Board room hire	1,410	2,279	501
Renting canteen	2,803	4,154	0
Renting out office space	14,099	22,307	0
Gain on exchange	0	4,076	0
Conferences	409	0	0
Miscellaneous income	291	0	0
	86,066	82,103	4,993

Refund of overseas travel expenses of the Executive Director	0	0	4,215
	86,066	82,103	9,208

9. GRANT FROM GOVERNMENT OF UGANDA	1997 US\$	1997 US\$	1,996 US\$	1995 US\$
Balance brought forward	34,355,752	39,798	48,089	0
Total grant received	27,400,000	26,033	79,888	54,434
Transferred to ACBF Account	0	0	(76,829)	0
Paid to building contractor	(8,056,446)	(7,654)	(11,350)	(6,345)
Paid to NSSF	(3,677,580)	(3,494)	0	0
Balance not yet utilised (see note 5)	50,021,726	54,683	39,798	48,089





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