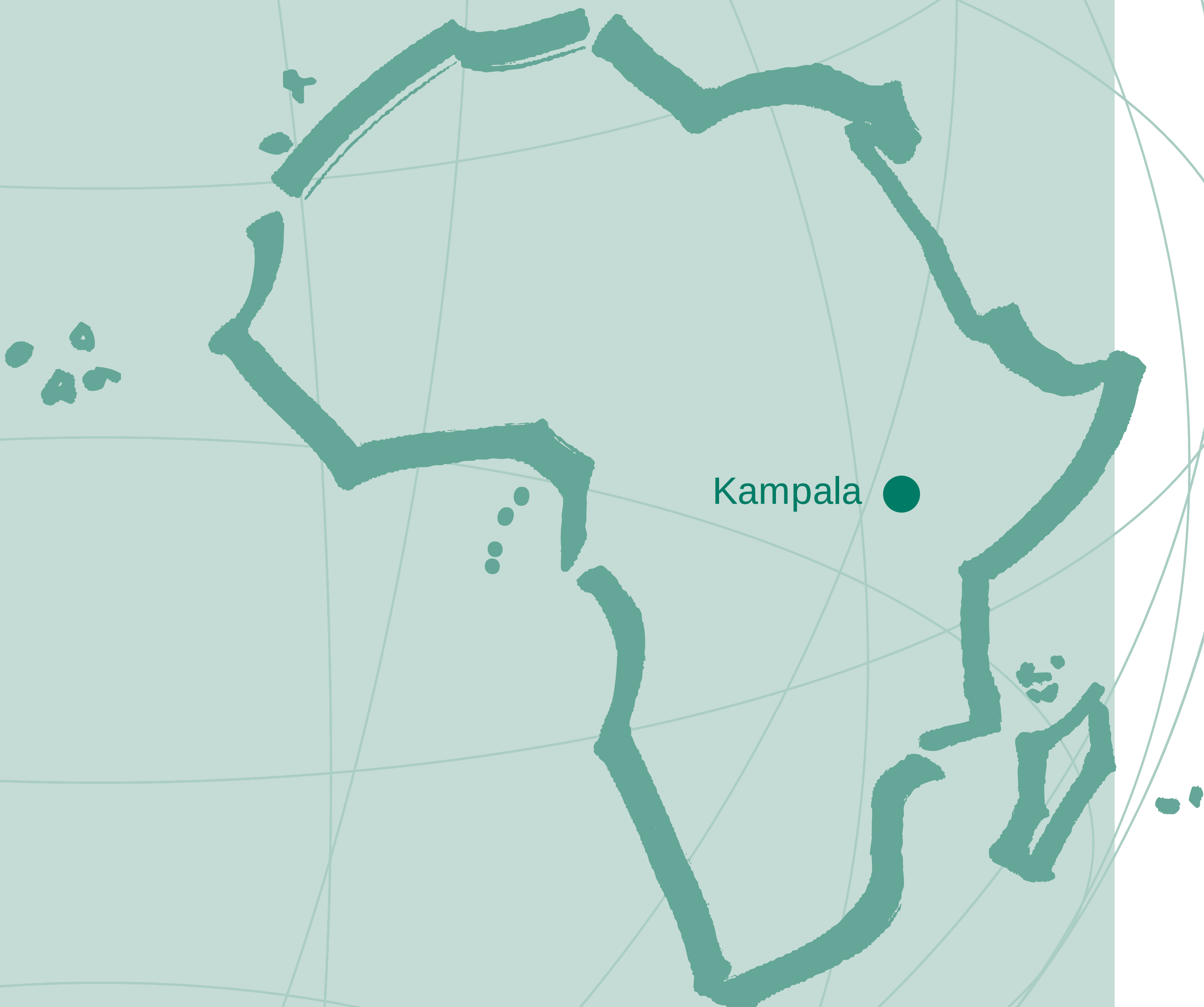
Uganda



key figures

• Land area, thousands of km²	241
• Population, thousands (2004)	26 699
• GDP per capita, $ (2003)	245
• Life expectancy (2000-2005)	46.2
• Illiteracy rate (2004)	29.3

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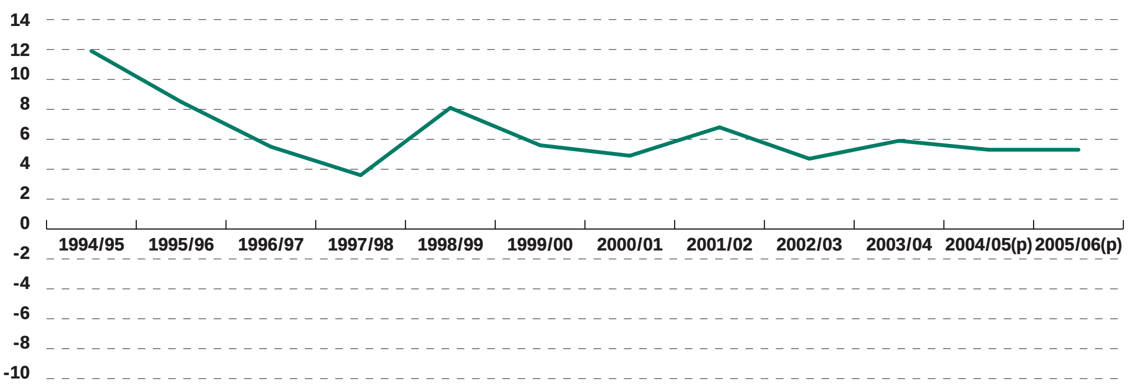
Uganda

SINCE YOWERI MUSEVENI and his National Resistance Movement (NRM) came to power in 1986, Uganda has recovered from the economic devastation wrought by Idi Amin. Annual output growth has averaged above 5 per cent, while fiscal consolidation and responsible monetary policy have brought inflation under control. This success has, however, relied heavily on foreign assistance. Uganda's management of multiparty elections scheduled for 2006 will in part determine whether donors continue their present high level of support. The security situation in northern and western Uganda is also a source of concern. Led by the stable and more prosperous southern areas, the percentage of the population living in poverty fell dramatically from 56 per cent in 1992 to 35 per cent in 2000, but health indicators remain very low, and poverty has actually edged up in the last few years, underlining the necessity of further structural reforms and reduction of corruption.

Prudent macroeconomic policies are paying off in steady economic growth and high levels of donor support.

Uganda's economic growth remains strong though the growth rate now appears to have stabilised at a lower rate than that seen in recent years. Real GDP growth was an estimated 5.9 per cent in 2004 and is

Figure 1 - Real GDP Growth



Source: IMF and domestic authorities' data; projections (p) based on authors' calculations.

projected to remain roughly steady at 5.3 per cent in 2005 and 2006. The Ugandan government's prudent pro-market economic policies are contributing to this strong growth performance. The government's budget, however, continues to rely heavily on external grants and is complicated by pressures for supplementary expenditure and high domestic interest costs. Maintaining fiscal stability may require greater efforts at raising domestic revenues. Prudence in monetary management has also contributed to controlling inflation. However, monetary management faces the challenge of increased sterilisation of aid inflows and how to manage the impact of sterilisation on the foreign exchange market and on export competitiveness. The external payments situation is stable, although exports remain concentrated on a few commodities.

The government is taking measures to increase the role of the private sector as an engine of growth. The development of Small and Medium Enterprises (SMEs) is seen as crucial in the growth process but these firms face credit constraints, which in turn derives from weaknesses in the institutional environment. Micro finance in the forms of lease financing and insurance premium financing represent the main avenues of financing for SMEs in Uganda.

Uganda's political climate is stable and decentralisation is taking hold in the country. However, security problems continue to undermine political stability and threaten democracy. Surveys indicate that corruption remains very high, but the government is taking measures to improve governance. Poverty and inequality in Uganda appear to be taking a turn for the worse.

Recent Economic Developments

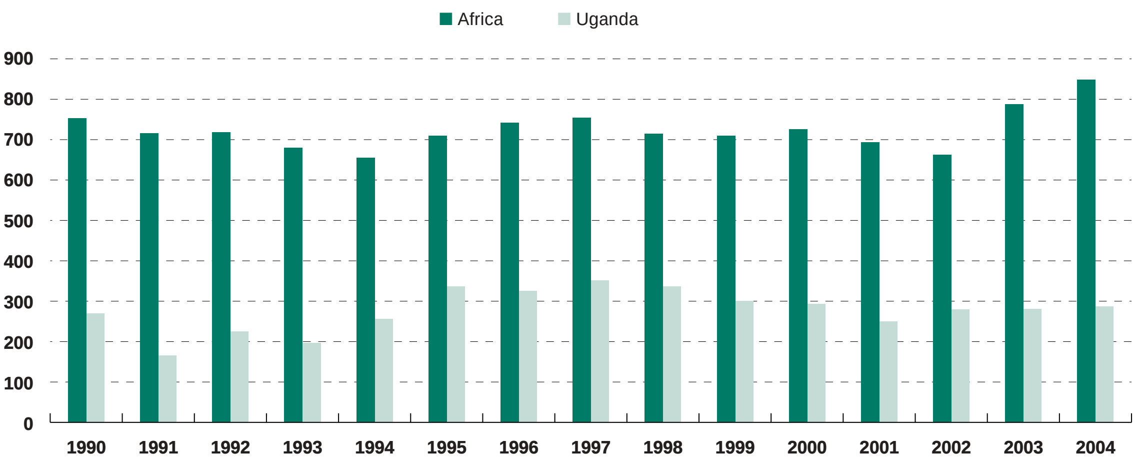
The Ugandan economy continues to grow rapidly, though the growth rate of GDP has fallen since the 1990s. Real GDP grew 5.2 per cent in 2003, and 5.9 per cent in 2004, with a forecast growth of 5.4 per cent in 2005. The solid performance in 2004 reflected growth in agriculture, construction and communications. The small forecast slowdown in 2005 reflects the expected effects of a current drought on agriculture.

Agriculture accounted for about 38 per cent of GDP in 2004 but is limited by persistent structural problems and needs better implementation of the current Plan for Modernisation of Agriculture and the Medium Term Competitive Strategy (MTCS) for the private sector, which includes the Strategic Export Programme (SEP). Agriculture is constrained by concentration on low-value crops and limited processing of raw produce. Limited access to support services such as crop and veterinary extension services and food-processing technology, inadequate infrastructure such as electricity and water, lack of market information, and proliferation of local taxes all inhibit the development of a vibrant agricultural sector with linkages to other sectors of the economy.

The industrial sector accounted for about 19.5 per cent of GDP in 2003. Industrial output rose by an estimated 4 per cent in 2004, the same rate as in the previous year, driven mostly by electricity generation, which rose by an estimated 6.3 per cent in the year. However, concern remained that the gain in industrial output in 2004 could turn out to be lower due to the shortage of power since September 2004. Electricity provision should improve as the government is progressing in the privatisation of power distribution, (possibly involving a partnership between the Commonwealth Development Corporation and Escom), scheduled for completion in 2005, and as a strategic investor is found for the two hydroelectric dams at Bujagali and Karuma Falls in 2005.

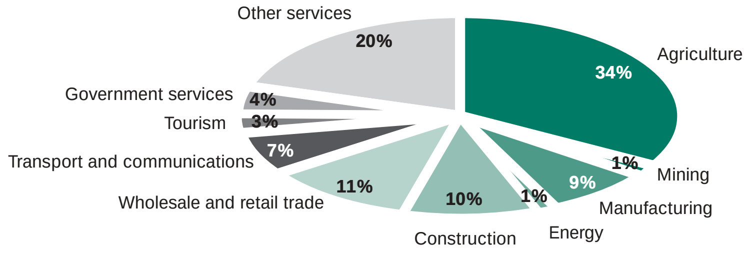
The service sector remains the largest contributor to GDP at 42 per cent in 2004. Continuing growth in the sector was spearheaded by the transport and communication sub-sector that gained from the large capital outlay in expanding and improving the Entebbe

Figure 2 - GDP Per Capita in Uganda and in Africa (current $)



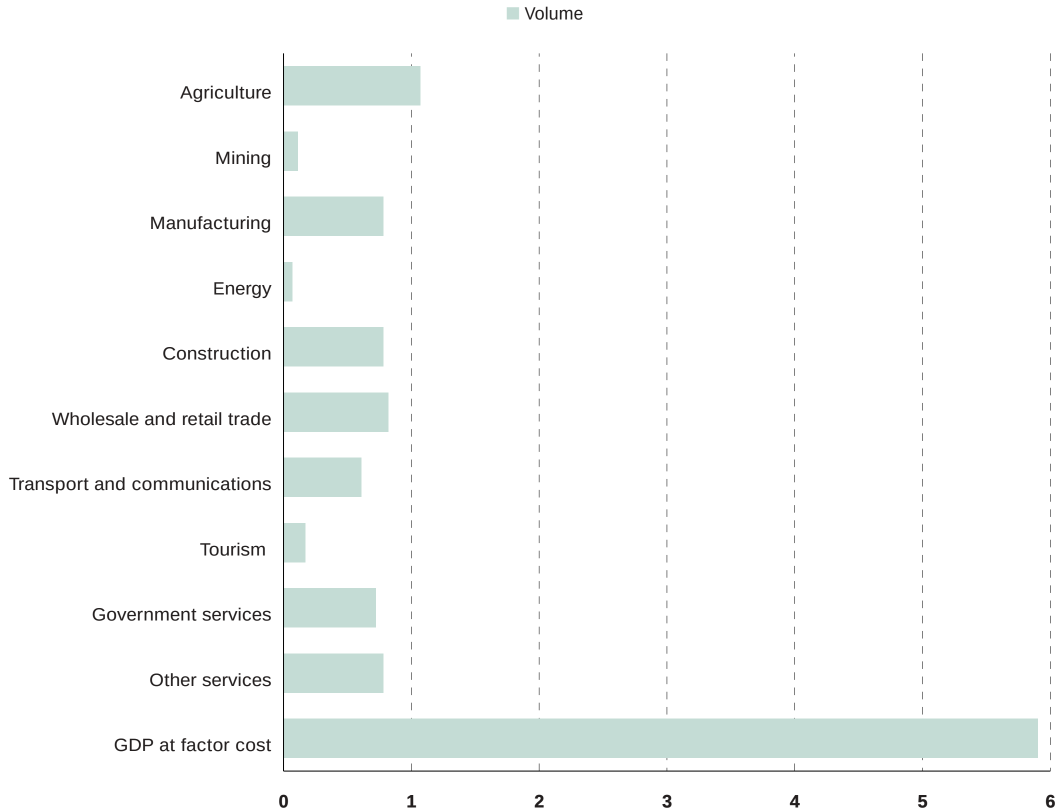
Source: IMF.

Figure 3 - GDP by Sector in 2003/2004 (percentage)



Source: Authors' estimates based on IMF and domestic authorities' data.

Figure 4 - Sectoral Contribution to GDP Growth in 2003/2004 (percentage)



Source: Authors' estimates based on IMF and domestic authorities' data.

International Airport and new investment in telecommunications following privatisation.

Recent growth has been underpinned by high, particularly private consumption. At the same time, the economy was estimated to achieve a peak in the share of gross capital formation in total output in 2004, due to high inflows of foreign savings. It is anticipated that capital formation will remain relatively high in 2005 and 2006.

Table 1 - Demand Composition (percentage of GDP)

	1996/97	2000/01	2001/02	2002/03	2003/04	2004/05(p)	2005/06(p)
Gross capital formation	**18.9**	**18.5**	**19.7**	**20.6**	**21.7**	**22.7**	**24.6**
Public	6.4	5.8	5.3	4.7	5.2	5.2	5.3
Private	12.6	12.7	14.4	16.0	16.5	17.5	19.3
Consumption	**95.6**	**95.6**	**95.5**	**93.7**	**92.9**	**92.5**	**91.0**
Public	12.3	13.8	15.4	15.1	15.7	16.2	16.1
Private	83.3	81.8	80.1	78.5	77.2	76.3	74.8
External sector	**-14.5**	**-14.2**	**-15.2**	**-14.3**	**-14.6**	**-15.2**	**-15.5**
Exports	14.5	11.3	11.7	12.4	13.6	14.0	14.5
Imports	-29.0	-25.5	-26.9	-26.7	-28.2	-29.2	-30.0

Source: IMF data; projections (p) based on authors' calculations.

Macroeconomic Policies

Monetary and fiscal policies have three key objectives: *i)* stable inflation, interest rates and exchange rates; *ii)* increasing credit to the private sector; and *iii)* enhancing the international competitiveness of exports.

Fiscal Policy

Although the Ugandan government has maintained generally prudent fiscal policies, the overall management of the government's budget is subject to pressures for supplementary expenditure and higher domestic interest costs. In 2004, the overall fiscal deficit fell to 1.7 per cent of GDP from 4.3 per cent of GDP in the preceding year. It is expected that the fiscal deficit will widen in 2005 and 2006 as total revenues fall mainly on account of a decline in grants.

The government has made no policy adjustment to the recent oil price increase, which is largely viewed as temporary. The tax rates on oil products, which were established in July 1998, were adjusted in July 2003, and have remained the same since. Fiscal revenues from petroleum have also remained relatively stable since 2003. However, in July 2004 the government changed tax collection procedures on petroleum products. Taxes were to be collected at points of entry and not depots as had been the case before.

In 2004, domestic tax revenue showed only a marginal increase to 11.7 per cent of GDP from 11.3 per cent of GDP the year before, largely due to disappointing VAT receipts. Changes that were introduced in the collection of VAT on government contracts during the year proved more difficult to follow while there was also poor compliance by eligible payers. In addition, administrative inefficiencies contributed to the revenue shortfalls.

The government's commitment to increasing the share of the national budget funded through domestic resources has been made more difficult by the implementation of the East Africa Customs Union, slated to come into force in January 2005. The customs union is expected to reduce customs revenue by over 80 billion shillings in 2005 alone with further losses expected in the following two years. Consequently, the domestic tax effort is not expected to rise significantly and is estimated at 11.8 per cent of GDP in 2005.

Higher domestic interest rates continue to make it difficult for the government to rein in expenditures. In addition, a larger defence budget, caused by conflict with the Lords Resistance Army (LRA) in northern Uganda, has reduced the options for reducing current expenditures. In 2004, expenditures for poverty eradication under the Poverty Action Fund (PAF), hitherto ring-fenced, were curtailed. This raised concerns about donor support for the 2005 budget. In 2005, the government has cut non-priority non-PAF and non-wage expenditure to compensate for an increase in wages for 109 000 primary school teachers that was effective in April 2004 as well as for the clearance of domestic arrears accumulated in the past three years.

Table 2 - Public Finances[a] (percentage of GDP)	1995/96	2000/01	2001/02	2002/03	2003/04	2004/05(p)	2005/06(p)
Total revenue and grants[b]	**15.7**	**18.7**	**19.0**	**19.1**	**22.2**	**20.7**	**20.0**
Tax revenue	10.6	10.4	11.4	11.3	11.7	11.8	11.9
Grants	4.5	7.6	7.0	7.0	9.6	8.0	7.2
Total expenditure and net lending[b]	**17.8**	**20.0**	**23.8**	**23.3**	**23.9**	**23.6**	**23.8**
Current expenditure	21.9	11.3	13.8	13.6	14.7	14.9	15.0
Excluding Interest	*20.9*	*10.1*	*12.3*	*12.2*	*12.7*	*13.1*	*13.1*
Wages and salaries	3.0	4.3	5.3	5.1	5.2	5.1	5.0
Interest	1.1	1.2	1.5	1.5	2.0	1.8	1.9
Capital expenditure	7.7	9.0	9.9	9.8	9.0	9.1	9.1
Primary balance	**-1.0**	**-0.1**	**-3.3**	**-2.8**	**0.2**	**-1.2**	**-2.0**
Overall balance	**-2.0**	**-1.3**	**-4.7**	**-4.3**	**-1.7**	**-2.9**	**-3.8**

a. Fiscal year begins 1 June.
b. Only major items are reported.
Source: Domestic authorities' data; projections (p) based on authors' calculations.

Monetary Policy

Uganda has made progress towards the 3.5 per cent annual inflation target of the government's Poverty Eradication Action Plan (PEAP). The progress made reflects success in controlling the monetary aggregates. Monetary policy continues, however, to face the challenge of managing excess liquidity arising from donor-funded expenditure inflows caused by the positive interest rate differential between Uganda and its neighbours.

Monetary aggregates slowed down in 2004 as the Bank of Uganda (BoU) widened its array of instruments for managing liquidity and developing the securities market. The BOU inaugurated the issuance of Treasury bonds with a 2-year, 3-year and 5-year maturity in early 2004. Sterilisation of excess liquidity appeared to be working as the growth in broad money supply (M3) slowed to 13.8 per cent in the year ending March 2004, from 25 per cent in the corresponding period in 2003. A major issue now confronting the monetary authorities is how to alleviate the impact of liquidity sterilisation on the exchange rate of the shilling and on export competitiveness. The challenge is heightened by the limited range of market intervention instruments at the BoU's disposal, especially since June 2004 when sterilisation using foreign exchange reserves was suspended.

Inflation has also been kept in check thanks to the limited pass-through of the recent world oil price increases to domestic pump prices. Two factors have been advanced as possible explanation for this: *i)* the strong appreciation of the shilling against the US dollar; and *ii)* increased local competition within the oil industry, lowering markups.

Since April 2004, however, upward pressure on prices has been observed due mainly to sharp rises in food crop prices resulting from the drought in some parts of the country. The annual underlying inflation, which declined from 5.2 per cent at end-December 2003 to 3.9 per cent at end-March 2004, rose marginally to 4 per cent at end-October 2004. Annualised headline inflation showed sharper swings, declining from 5.9 per cent at end-December 2003 to 1.7 per cent at end-March 2004, then increasing to 5.7 per cent at end-September 2004. The outlook on inflation is relative stability albeit at a higher level than the PEAP's target; the annual rate of inflation is projected at 5.3 per cent in 2005 and at 5.6 per cent in 2006.

Interest rates have declined as the BOU modified its liquidity sterilisation policy with the introduction of the long-term bonds. The annualised yield on the 91- day Treasury bill declined from 20.2 per cent at end-December 2003 to 7.9 per cent at end-October 2004. However, the lending rates of commercial banks have remained relatively flat, reflecting the lack of effective competition in the banking system.

The exchange rate of the Ugandan shilling has been allowed to move in tandem with economic fundamentals, with the BOU intervening to limit volatility. In a reversal of recent trends, the shilling appreciated by about 1.5 per cent against the US dollar between end-December 2003 and end-October 2004. The appreciation of the shilling reflected the weakness of the US dollar against other international currencies and on account of strong export receipts and inflows from NGOs.

External Position

Uganda's commitment to regional integration as a centerpiece of its development strategy bore fruit with the signing of the protocol establishing the East African Community (EAC)[1] Customs Union in March 2004. The protocol is to become effective in January 2005. Since signing the protocol, the EAC member countries have made progress in harmonising fiscal and monetary policies. They have also made progress in the harmonisation of policies in sectors such as education, agriculture, environment, defence, and have signed a protocol for the management of Lake Victoria. Uganda is also seeking to become a full member of the larger free trading bloc COMESA[2].

The country remains dependent on a few agricultural exports – coffee, fish, tea and cotton – and thus is vulnerable to sharp terms of trade shocks. Led by rapidly increasing fish exports, Uganda's exports have continued to perform fairly well and foreign reserves have withstood increasing oil prices. In 2004, the current account balance improved despite the widening of the trade deficit, due mainly to a substantial increase in public and private transfers. Transfers are expected to revert to normal levels in 2005 and, together with an increase in the trade deficit, may be expected to lead to a widening of the current account deficit.

The merchandise trade deficit widened in 2004, even though exports grew faster than imports, due to the fact that imports started from a higher base. The increase in exports in 2004 reflected improved export prices, especially for cotton, fish, tea, maize and flowers. The volume of exports of fish and fish products also gained from investment in processing facilities, reduction in informal exports and greater market access. The government of Uganda expects that fish will soon surpass coffee as Uganda's largest export. This may make Uganda less subject to terms of trade shocks, because fish may be less vulnerable than coffee to price fluctuations. Similarly, tea exports benefited from improved management of tea estates as well as strong government support services. Exports of flowers rose as a result of increases in farm size, construction of more green houses and declining freight charges. Export earnings from coffee, the main traditional commodity, rose in 2004 as a result of higher world coffee prices. For much of 2004, adverse weather conditions slowed coffee bean formation, harvesting and drying leading to a decline in export volumes. The adverse weather conditions have persisted into 2005 and affected coffee production making further reductions in export volumes for the year likely.

In 2004, the demand for imports increased in line with economic activity. In particular, imports of building materials continued to reflect the boom in construction, while imports of transport and telecommunication equipment, especially vehicles and mobile phones, also grew strongly.

In 2003, the external debt increased and the sustainability of the debt burden now represents a major point of discussion with the development partners. At the end of 2003, Uganda's total external debt was $4.05 billion. About 90 per cent of this debt was owed to multilateral institutions, 9 per cent to non-Paris Club bilateral creditors, and 1 per cent to Paris Club creditors.

With loans accounting for about 40 per cent of donor inflows yearly, debt levels have risen substantially in spite of debt relief. Since Uganda completed the HIPC process, the country has borrowed about $1.5 billion from multilateral creditors. Although these

1. The member countries of the East African Community are Kenya, Tanzania and Uganda.

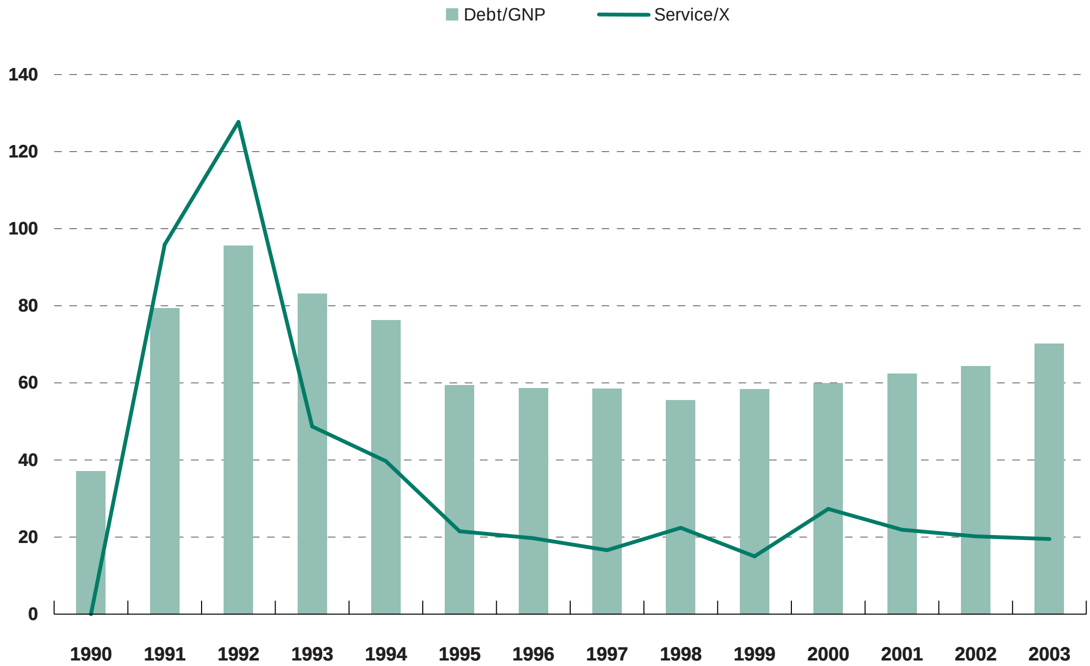
2. The member countries of COMESA include Angola, Burundi, Comoros, DRC, Djibuti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Zambia and Zimbabwe

Table 3 - Current Account (percentage of GDP)

	1995/96	2000/01	2001/02	2002/03	2003/04	2004/05(p)	2005/06(p)
Trade balance	-11.4	-8.4	-9.6	-9.9	-9.7	-10.2	-10.6
Exports of goods (f.o.b.)	10.7	7.8	8.2	8.0	9.3	9.7	10.0
Imports of goods (f.o.b.)	-22.2	-16.2	-17.8	-17.9	-19.0	-19.9	-20.5
Services	-4.3	-3.5	-5.1	-4.1	-3.8		
Factor income	-0.8	-2.9	-2.2	-2.5	-2.5		
Current transfers	14.2	9.9	11.9	12.5	17.8		
Current account balance	**-2.3**	**-5.0**	**-4.9**	**-3.9**	**1.8**		

Source: Domestic authorities' data; projections (p) based on authors' calculations.

Figure 5 - Stock of Total External Debt (percentage of GNP) and Debt Service (percentage of exports)



Source: World Bank.

loans have been secured on highly concessional terms, their impact on the debt stock, combined with lower export growth, has been to raise the ratio of the net present value (NPV) of the debt to exports. It is estimated that the current ratio stands at 350 per cent, which is more than double the HIPC debt sustainability threshold. The situation has been exacerbated by recent court rulings against the Ugandan government in favour of creditors including overseas companies and the Bank Arabe Espanol. The government's approach to improving the debt sustainability includes improving debt management as well as encouraging exports. In addition the government is committed to continue borrowing only on concessional terms.

Structural Issues

Uganda's current structural reforms are aimed at improving the investment climate and increasing productivity. Past reforms have removed institutional bottlenecks that hindered the development of the private sector, but investment has yet to respond to the desired extent. Under its 2005 programme to encourage investment, the government is considering amendments to ease barriers to investment. Also, the government is considering establishing a clear land use policy to allow flexible and full utilisation of idle land. The government is preparing an Investment and Free Zones Bill authorising Export Processing Zones.

The development of small- and medium-sized enterprises (SMEs) is crucial for employment and entrepreneurship: currently about 1.5 million people, some 90 per cent of the non-farming active population, are employed in micro and small enterprises.

Since 1987, the government has implemented a number of policy measures under the Economic Recovery Programme to create an enabling environment for private sector development. A Micro and Small-Scale Enterprise Policy Unit (MSEPU) has been established in the Ministry of Finance, Planning and Economic Development (MFPED). This unit is responsible for the co-ordination of all efforts to promote SMEs.

A major difficulty for SMEs in Uganda is financing, which is in large part attributable to weaknesses in the enabling environment, including lack of effective dispute resolution, inadequate bankruptcy laws, lack of an effective and modern business registry, absence of a credit reference agency, lack of a national identification system, and lack of an efficient legal system enabling prompt resolution of disputes.

Financial reforms since 2000 have improved commercial banks' soundness, but have done little to ease credit constraints for SMEs. Commercial banks in Uganda cite several reasons for their reluctance to lend to SMEs. These include poor book keeping; low levels of technical and management skills; lack of professionalism; shortage of collateral; lack of marketing skills; and limited knowledge of business opportunities. Yet, without credit, SMEs cannot resolve these problems, and without SME development, sustained growth is out of the question.

Microfinance is the main form of finance for SMEs in Uganda, and has developed since 1998 thanks to donor funding of about $40 million a year. At the end of 2003, approximately 1 500 microfinance institutions (MFIs) were serving over 935 000 small savers and close to 400 000 borrowers in the country. In that year, Parliament passed the Micro Deposit-Taking Institution Act which created the conditions for MFIs to become regulated, deposit-taking institutions. The government views the microfinance industry as a vehicle for extending financial services to a wider population with a target of reaching at least 1.3 million poor people by 2006. Microfinance stakeholders in Uganda have created several formal mechanisms for collaboration, including the Private Sector Donor Group (PSDG) for donors, the Microfinance Forum (MFF) and the Association of Microfinance Institutions of Uganda (AMFIU).

The main forms of micro-finance in Uganda include leasing facilities and insurance premium financing. The size of the leasing facility is typically between 2 million and 500 million shillings and may be taken in either US dollars or Ugandan shillings for a repayment period of between two and five years. The facility is available for any durable asset including plant, equipment, machinery, commercial vehicles and business cars. The ownership of the asset is maintained by the MFI throughout the lease period, with an option to purchase exercised by the lessee at end of the lease. The Insurance Premium Financing (IPF) facility is designed to enable SMEs to meet their insurance premiums promptly and spread the repayments over ten months.

The government hopes to complete the privatisation programme in the next one to two years. At the end of 2003, the government had divested about 117 enterprises leaving about 31 to be privatized. Most notably the government has identified investors for a joint concession contract for the Ugandan Railway Corporation and the Kenya Railway Corporation. This transaction is expected to be completed by mid-2005. Other notable enterprises slated for privatisation include the NIC and the public water and sewerage enterprise. The privatisation programme has presented an unexpected challenge to the government. While the programme was expected to reduce the financial burden from subsidies to loss-making enterprises, the growing number of regulatory bodies is proving very costly.

Political and Social Context

Uganda's political situation appears quite stable as the country moves towards general and presidential elections in 2006. The so-called "movement system" under which traditional political parties are banned, continues to dominate the political process. However, Ugandans are expressing a growing desire for greater pluralism in the political process, and many opposition party candidates were successful in the 2002 local elections. Movement to a multiparty system will be examined in the on-going constitutional review process.

On Transparency International's 2004 perceptions of corruption index, Uganda ranked 102nd out of 145 countries surveyed. A National Integrity Survey (2003) revealed some perceived improvement in the area of governance. Nonetheless, corruption was highlighted as a significant problem; it was particularly noted in the allocation of tenders and was responsible for driving up the costs of public sector investments and thereby impeding poverty reduction. The Ugandan government has reaffirmed its commitment to good governance as a cornerstone in its fight against poverty, and is pursuing a National Strategy to Fight Corruption and Build Ethics and Integrity in Public Offices (2004–2007). The programme's momentum was slowed, however, by a court ruling that the government's anti-corruption Leadership Code violates the Constitution. The government is considering ways to re-institute the Code, either through re-drafting the Code or a constitutional amendment.

Decentralisation has been policy since 1993, included in a vision of a local government system that is democratic, participatory and development-oriented. The policy is now part of the Constitution and has an elaborate legal framework under the 1997 Local Government Act. Implementation is co-ordinated by the Decentralisation Secretariat in the Ministry of Local Government.

The decentralisation policy has been implemented in a wide range of sectors starting with the democratisation of local councils. Democratic elections have been held for office from the lowest unit - Local Council 1 (LC1) to the highest organ at the district level – Local Council V (LCV). The policy has provided the framework for implementing a number of government initiatives including: the Poverty Eradication Action Plan (PEAP), the Plan for Modernisation of Agriculture (PMA), and the National Agricultural Advisory Service (NAADS). In a review of the decentralisation policy in November 2004, it was concluded that decentralisation was leading the transformation of the political landscape of the country, since local leaders are now chosen through free and fair elections and they can be held accountable.

Security problems continue to threaten democracy. The long-running conflict in the north of the country and the Karamoja (in the northeast) shows no signs of easing. While a concerted effort by the government to end the insurgency restored peace in some districts in 2003, even those districts where the insurgency subsided still suffered from spillover effects of internal displacement and rebel incursions in 2004. The government has developed a draft Internally Displaced Persons (IDP) Policy for consideration by parliament in 2005.

In spite of nearly a decade of implementation of the PEAP, the situation in Uganda appears to be taking a turn for the worse. According to the Ugandan National Household Survey 2003 (UNHS II), the percentage of people living in poverty is estimated at 38 per cent, corresponding to 8.9 million Ugandans. This marks a significant increase since 2000, when 34 per cent of the population (approximately 7.2 million Ugandans) were living in poverty. Notably, however, poverty remains well below the 44 per cent level of 1996/1997 when the PEAP began. The survey results indicate that between 1999/2000 and 2003, the absolute number of poor people increased more in rural areas than in urban areas even though the proportionate rise in poverty was actually higher in urban areas. The rise in poverty has particularly been marked in households where agriculture is the main occupation, with crop farmers worse off than those engaged in other agricultural activities.

Income inequality increased by 23 per cent between 1997 and 2003. These results underline the key challenges of increasing agricultural and non-farm productivity and incomes; providing a conducive environment for private investment growth; and increasing access by rural and urban poor households to productive assets and basic services as well as amenities.

The implementation of poverty reduction programmes has enhanced access to services by the population despite some shortcomings. Access to health care has improved following the abolition of cost-sharing. Under the Health Sector Strategic Plan (HSSP), some headway has been made in the provision of minimum health care delivery including new health centres and the upgrading of others. Yet, life expectancy was only 43.1 years in 2002, and child and maternal mortality are high. In 2002, the mortality rate for children under five was 141 per 100 000 births; in 2000, the most recent year for which adjusted WHO/Unicef data is available, the maternal mortality rate was 880 per 100 000 live births. Also, the quality of services remains a challenge, as the system continues to suffer under the weight of non-availability of drugs, absence of qualified health staff, lack of preventive primary health care, poor sanitation diseases and HIV/AIDS.

In the provision of basic education, the government has given priority to improvement of the quality of Universal Primary Education (UPE), with positive trends in selected quality indicators. Provision of instructional materials has resulted in the reduction of the pupil/book ratio from 6:1 in 2000 to 3:1 in 2003. School sanitation and hygiene has also improved. However, the delivery of high-quality primary education remains a challenge. Several factors including insufficient priority attached to education among parents, especially for girls, the lack of separate facilities for girls, absenteeism and tardiness by both teachers and pupils, and lack of school meals, contribute to the challenge.