



Development Partnerships Thematic Report

Mid-Term Review of the
Uganda National
Development Plan

Prepared by Delta Partnership in
Association with REEV Consult for
the National Planning Authority

CONTENTS

ACRONYMS	iv
EXECUTIVE SUMMARY.....	vi
1. INTRODUCTION.....	1
1.1 Background.....	1
1.2 Situational analysis.....	2
1.3 Study approach.....	5
1.4 Organisation of the report.....	8
2 RECENT TRENDS IN UGANDA’S OVERALL DEVELOPMENT PARTNERSHIP.....	10
2.1 Overview.....	10
2.2 Development assistance trends.....	11
2.3 The framework for partnership in Uganda.....	19
2.4 Challenges facing government-donor relationships.....	19
3 DEVELOPMENT PARTNER ALIGNMENT	22
3.1 Overview.....	22
3.2 Mechanisms to secure development partner alignment with the NDP.....	22
3.3 Donor priorities and alignment with the NDP.....	24
3.4 Development partners’ contribution to NDP progress.....	28

4	HARMONISATION, TRANSACTION COSTS AND MUTUAL ACCOUNTABILITY	31
4.1	Overview.....	31
4.2	Harmonisation and transaction costs.....	31
4.3	Mutual accountability	34
5	DEVELOPMENT ASSISTANCE FROM NON-TRADITIONAL PARTNERS	36
5.1	Overview.....	36
5.2	Trends in support from non-traditional sources.....	36
5.3	Aid from non-traditional development partners and alignment with the NDP	37
5.4	Key aspects of the future development partnership with non-traditional partners..	37
6	CROSS-CUTTING ISSUES	39
6.1	Overview.....	39
6.2	Social protection.....	39
6.3	Human rights.....	39
6.4	Democracy and political governance	40
6.5	Child rights	41
7	CONCLUSIONS AND RECOMMENDATIONS.....	42
7.1	Summary of overall findings	42
7.2	Recommendations for the remainder of the first NDP	45
7.3	Recommendations for the next NDP	48

Annex 1. DISTRICT REPORTS.....50

Annex 2. AID DATA TABLES.....60

Annex 3. Uganda’s Joint Budget Support Framework75

Annex 4. Donor division of labour81

ACRONYMS

FP	Budget Framework Paper
BoU	Bank of Uganda
CSO	Civil Society Organisation
DDP	District Development Plan
EAC	East African Community
EPRC	Economic Policy Research Centre
FBO	Faith Based Organisation
GAPR	Government Annual Performance Report
GDP	Gross Domestic Product
GoU	Government of Uganda
IFC	International Finance Corporation
IGG	Inspectorate of Government
JBSF	Joint Budget Support Framework
JLOS	Justice Law and Order Sector
LDPG	Local Development Partners Group
LGDP	Local Government Development Plan
LGFC	Local Government Finance Commission
MDA	Ministry / Department / Agency
MoAAIF	Ministry of Agriculture, Animal Industries and Fisheries
MoD	Ministry of Defence
MoEACA	Ministry of East African Community Affairs
MoEMD	Ministry of Energy and Minerals Development
MoES	Ministry of Education & Science
MoFPED	Ministry of Finance, Planning and Economic Development
MoGLSD	Ministry of Gender, Labour and Social Development
MoH	Ministry of Health
MoIA	Ministry of Internal Affairs
MoICT	Ministry of Information and Communications Technology
MoJCA	Ministry of Justice and Constitutional Affairs
MoLHUD	Ministry of Lands, Housing and Urban Development
MoTIC	Ministry of Trade, Industry and Commerce
MoTWH	Ministry of Tourism, Wildlife and Heritage

MoWE	Ministry of Water and Environment
MoWT	Ministry of Works and Transport
MPS	Ministerial Policy Statement
MTEF	Medium Term Expenditure Framework
MTR	Mid Term Review
NDP	National Development Plan
NDR	National Development Report
NPA	National Planning Authority
OBT	Output Based Tool
OoP	Office of the President
OPM	Office of the Prime Minister
PEAP	Poverty Eradication Action Plan
PIP	Public Investment Plan
PPP	Public Private Partnership
PSFU	Private Sector Foundation of Uganda
SACCO	Savings and Credit Cooperative
SIP	Sector Investment Plan
SMEs	Small and Medium Enterprises
STA	Science and Technology Agency
SWG	Sector Working Group
ToR	Terms of Reference
UAAU	Urban Authorities Association of Uganda
UBOS	Uganda Bureau of Statistics
URA	Uganda Revenue Authority

EXECUTIVE SUMMARY

This thematic paper, which forms part of the mid-term review (MTR) of Uganda's National Development Plan (NDP), examines development partnerships. In the context of a set of questions that were agreed in advance, the review focuses on: recent overall trends in Uganda's development partnership including trends in the volume and direction of aid; development partner alignment with the NDP; the progress that has been made during the NDP in improving harmonisation, reducing transaction costs, and strengthening mutual accountability; and the growing importance of development assistance from Uganda's non-traditional development partners.

In both real terms and as a percentage of GDP, development assistance has continued to decline during the NDP period, but in nominal terms it has remained constant and for the moment donor financing remains very important in Uganda's development. Finance provided "on budget" still constitutes over 20 per cent of overall government expenditure and over 40 per cent of the development budget. In addition there are substantial resources provided by donors outside the government's budget framework.

All Uganda's main donors claim strong alignment with NDP priorities in both their strategy documents and through their programming. These claims to some extent reflect the broad range of NDP objectives and importantly depend on the government's own sector strategic investment plans and the Joint Budget Support Framework (JBSF) aligning effectively behind the NDP. But it is clear that during the NDP period there has been a clear re-allocation of both "on budget" and "off budget" project aid in line with the NDP's aim to broaden Uganda's development strategy from poverty reduction to structural transformation to raise growth and living standards. Although progress against many NDP objectives has been disappointing, donor support has been associated with important aspects of the progress that has been made. Development assistance has continued to help underpin implementation of key sector strategic plans. The large multilateral donors in particular have set aside resources for some of the NDP's core projects. The JBSF

has helped emphasise the achievement of results. Donor technical assistance is helping to build the capacity required for effective NDP implementation.

At the same time the thematic paper highlights that the contribution development partners are making to NDP implementation is severely constrained by a set of factors that are undermining the development partnership and aid impact. A new Partnership Policy that was intended to provide the basis for the aid relationship during the NDP by codifying commitments on both sides of the development partnership has not yet been finalised and agreed. Development partner concerns about governance and corruption have become increasingly serious against the background of a series of high profile corruption cases and persistent questions about performance and results in the context of the JBSF. Levels of budget support, the NDP's preferred instrument for development assistance, have been in decline and will almost certainly decline further.

Without a Partnership Policy in place it has been difficult for the NDP to be a focus for progress on the wider agenda for improving aid effectiveness. Progress is slow in increasing the use of country public financial management and procurement systems. A decline in the use of programme based approaches (including budget support) appears to have led to a fall in development partner use of common arrangements and procedures. Progress made in the past in rationalising the donor division of labour seems to have been reversed. Although the JBSF has provided a partial framework for mutual accountability the joint memorandum of understanding that was meant to govern the arrangement has not yet been signed.

There are risks in the medium term to the financing of the NDP if current difficulties in the relationship between donors and government persist. Traditional development partners could increasingly use "off budget" channels for disbursement that may be more difficult to align with the NDP. Non- traditional partners are an increasingly important source of finance, but still contribute less than 10 per cent of all development finance much of which is in the form of loans. Revenue from oil which in due course will significantly outweigh development assistance is not expected to flow until 2018 and there are risks that production will be delayed.

The recommendations of this thematic paper are focused on ensuring Uganda's development partnership makes a strong contribution to the achievement of NDP objectives going forward.

A key initial step will be strong government leadership to bring the Partnership Policy back on the agenda and agree a version with development partners that provides a robust framework for the management of aid in support of NDP implementation set in the context of international agreements on aid effectiveness. Within the framework of a new partnership policy the priorities should be:

- Government action to improve and secure the reliability of public financial management and procurement systems to firmly address donor concerns about putting resources through government channels.
- The identification of alternative aid modalities which, on the assumption that budget support will continue to decline, will maintain the advantages of programme based approaches (perhaps with enhanced fiduciary controls). Joint funding arrangements used in the past might provide a model.
- Ensuring sector working group processes work effectively to align “on budget” and “off budget” development assistance behind the NDP. Improving the alignment of sector strategic investment plans may need to be a starting point. The government should consider a firmer approach to managing aid that is not aligned with the NDP (which might involve its rejection).
- The engagement of non- traditional development partners more effectively in sector working group processes to help co-ordinate their support within the NDP framework.
- Action to accelerate the introduction of the government's new aid management information system to help improve aid transparency and the government's ability to manage development assistance in support of the NDP.
- Implementation of a new division of labour exercise to address the current trend towards an inefficient spread of effort and resources.
- Ensuring effective arrangements for high level policy dialogue and mutual accountability are in place (especially if the JBSF is dismantled).

- Close involvement of development partners in the preparation of the next NDP to ensure a strong understanding of government priorities and alignment of their resources.

In addition to these findings and recommendations, the report includes the key points from six reports that were commissioned separately alongside the core mid-term review to assess the degree to which cross-cutting issues have been addressed during NDP implementation. The cross-cutting reports found that development partner support had produced some notable results during NDP implementation. In particular, development partner support was a key reason for the improved performance of the justice, law and order (JLOS) sector, and was critical to maintaining immunisation programmes as GoU funding to such activities decreased. Further, the social protection report states that social protection programmes are highly reliant on development partner support to function. The human rights report states that development partners were not adequately involved in the development of the NDP, and could therefore be more substantially involved in the development of the next NDP.

1. INTRODUCTION

1.1 Background

This report on development partnerships forms one part of the six parts of an independent mid-term review (MTR) of Uganda's National Development Plan (NDP) 2010/11 to 2014/15 commissioned by the National Planning Authority (NPA). The five other thematic areas of the MTR are: results framework; policy and strategic direction; institutional framework; economic management; and political economy; as well as an overall synthesis report. Separate work has been conducted on the cross-cutting issues of gender, environment, social protection, human rights, child rights and well-being, and democracy and political governance which has been included in the mid-term review thematic reports.

The terms of reference for the review emphasise the importance of highlighting the challenges encountered during the two and a half years of implementation of the plan and of making recommendations for the plan's remaining period. The recommendations are also expected to inform the development of the next NDP.

The NDP succeeded Uganda's Poverty Eradication Action Plan (PEAP) which started in 1997 and was subsequently revised in 2000 and 2004. The PEAP, which was developed in a participatory framework and strongly supported by Uganda's development partners in the framework of international debt relief initiatives, is widely recognised for its impact in helping to sustain growth and poverty reduction over an extended period of time. A national evaluation of the PEAP in 2008 however identified a number of weaknesses in its approach and highlighted constraints to continued progress including the achievability of the long term target of reducing headcount poverty to 10 per cent by 2017. It was in this context that the first NDP was launched in 2010.

The NDP maintains the PEAP's poverty eradication vision but with an additional emphasis on economic transformation and wealth creation. It emphasises the importance of planning based on strong political commitment and is intended to provide

a guide for all government decision-making, especially the allocation of resources, including aid, through the medium term expenditure framework.

The NDP aims to support improved productivity in the agricultural sector while ensuring that workforce released by these productivity gains are effectively absorbed by newer, higher value, export focused sectors of the economy, and such development will be led by the private sector. Maintaining macroeconomic stability is identified as critical to providing an appropriate environment within which private sector development can flourish. The main sources of economic growth are expected to come from the 8 'primary growth sectors' which are stated as agricultural development, forestry, tourism, mining, oil and gas, manufacturing, information and communications technology (ICT) and housing development.

The NDP identifies the required improvement in complementary sectors of the economy; most notably energy, water, transport and financial services. The Plan outlines the need for more trained professionals and better quality infrastructure to increase the potential for Uganda's health and education systems to boost Uganda's human capital and to provide necessary increases in the skilled workforce needed to support economic development. Special attention is afforded to the need to tackle the high levels of population growth, gender inequality and the impact of HIV/AIDS on society. The NDP acknowledges and arguably identifies the key constraint to further economic development as the enabling sector and outlines a number of improvements required in public- sector administration and management to address the criticisms identified in the evaluation of the PEAP. It also emphasises the role of the service sector as a major source of employment and attempts to harness this for increased growth.

1.2 Situational analysis

The development partnership theme of the MTR focuses exclusively on partnerships between the Government of Uganda and its official bilateral and multilateral development partners, often referred to as donors. Relationships with Non-Governmental Organisations (NGOs), Civil Society Organisations (CSOs) and private sector organisations are discussed in other thematic reports, especially the Political Economy, Institutional Framework and Economic Management papers.

Donor engagement in NDP preparation

Whereas development partners were very closely consulted in the preparation of Uganda's PEAPs, donors were relatively detached from the preparation of the NDP. They also provided much less technical assistance funding to support its drafting, probably due to the more nationalistic approach to planning that was adopted. On the part of government there was a particularly strong desire to present the NDP as very much its own strategy. The PEAPs had been sometimes characterised as "donor driven"¹

Donors endorsed the NDP once it was published. A Joint Staff Advisory Note prepared by the IMF and World Bank concluded that both the macro-economic framework and sector specific plans contained in the NDP were "compatible" with the government's vision of structurally transforming the economy. But a number of suggestions were made to strengthen its implementation including clearer prioritisation of investments, actions to make growth more inclusive, the preservation of space for private sector initiatives, and the strengthening of the legal and fiscal framework for public private partnerships.

Development partnerships in the NDP

The NDP recognises the important role of Official Development Assistance (ODA) provided by partner governments and international organisations in Uganda's recovery, growth and poverty eradication efforts in the period after 1986, and especially during the PEAP period from 1997 onwards. Although aid as a proportion of government expenditure has since fallen significantly as domestic revenue has increased, the Plan also recognises that in the short to medium term development assistance continues to

¹ The limited involvement and influence of development partners in the NDP's formulation was noted in the 2011 survey of Uganda's progress in implementing the Paris Declaration which at the same time observed a high degree of involvement by the private sector, local government structures, civil society and NGOs.

have an important role to play. In order to establish a framework for partnership the Plan proposes a new Partnership Policy to update the Partnership Principles that governed the relationship between government and donors during the PEAPs

The Partnership Policy was intended to have six core elements, based on the principles of the 2005 Paris Declaration on aid effectiveness, to ensure:

- All development assistance is aligned with the objectives and priorities of the NDP;
- Development partners follow a set of guidelines aimed at reducing transaction costs including through their choice of aid modality and aid management arrangements (with budget support the government's preferred aid instrument);
- Strong dialogue between government and development partners (and other stakeholders) in particular through an effective line of communication between the Local Development Partners' Group (LDPG) and mechanisms for national co-ordination under the leadership of the Office of the Prime Minister;
- Better information on aid flows and improved aid predictability;
- Strong mutual accountability between government and development partners including through new arrangements for assessing performance against agreed commitments; and
- Progress is made in Uganda's specific context on the global partnership for development captured in the 8th Millennium Development Goal of developing a global partnership for development.

In practice, although the Partnership Policy has been drafted, jointly discussed at length and subsequently amended, a final version is yet to be approved by Cabinet or agreed with development partners. The questions the development partnership theme is asked to assess in relation to the implementation of the NDP require, for a large part, an examination of the extent to which the intentions of the Partnership Policy have been followed in the absence of a formally agreed document.

Development partnership in the PEAP evaluation

Development partnership was also one of the themes covered by the evaluation of the PEAP in 2008. In aggregate aid increased over the PEAP period, but remained unpredictable and volatile and towards the end falls in the level of assistance for development may have been masked by rising humanitarian aid to address the

implications of conflict and displacement in Northern Uganda. The PEAP evaluation focused on the partnership dimensions of alignment, harmonisation, transaction costs, mutual accountability, and progress in donors providing aid through budget support as their principal disbursement modality.

The evaluation devoted considerable space to the problem of identifying a common understanding or definition of these aspects of partnership. It concluded in broad terms that the PEAP made a tangible and significant contribution to partnership, particularly at sectoral level, but that the gains made fell short of the expectations of both government and development partners as well as the aims of the Partnership Principles. Progress was most significant in improving dialogue and alignment between government and development partners. Budget support increasingly became the preferred modality for disbursing aid over much of the lifetime of the PEAP although this trend started to reverse in the wake of Uganda's 2006 general election as the PEAP period drew to a close. Harmonisation between development partners improved. But there was much less progress in reducing transaction costs in particular because of the burdens imposed by co-ordination and dialogue processes. There was little advancement on the issue of mutual accountability as the search for a mechanism for assessing the performance of development partners (for example against the standards of the Partnership Principles) proved elusive.

The recommendations of the evaluation covered: the need for stronger government leadership in promoting the deepening of the partnership with donors; the possibility of moving to a more contractual relationship in which commitments and obligations are more clearly articulated; the introduction of a peer review mechanism in which development partners monitor each other's performance; and the establishment of a mechanism that would remove the uncertainty associated with aid flows by donors collectively committing to provide a guaranteed amount and making up shortfalls arising from any individual donors not meeting their targets. There has in practice been little progress in taking any of these recommendations forward. Not all were realistic.

1.3 Study approach

It was agreed as part of the inception report that the Development Partnerships thematic report will cover the following review questions:

DP1	What have been the trends in recent years in the amount and modalities of development partner resource allocation (traditional and non-traditional donors) to fund elements of the NDP?
DP2	To what extent have donor priorities changed significantly in the course of NDP implementation and how well are DP strategies aligned to the DP?
DP3	What mechanisms does GoU use to ensure that DP support is aligned with NDP priorities?
DP4	How have donor programmes tangibly / measurably contributed to achievement of NDP progress?
DP5	To what extent has NDP provided a framework for improved harmonisation and reduced transaction costs in dealing with different development partners?
DP6	To what extent has the NDP provided a basis for mutual accountability between GoU and DPs
DP7	How effective have GoU-donor partnerships been in the course of NDP implementation?
DP8	How can GoU / DP relations be strengthened so that the efficient and effective implementation of the NDP is enhanced?
DP9	What is the scope for effective collaboration with non-traditional donors?

The overall approach to the mid-term review has included:

- A three week inception period to hold introductory meetings, to collect and review background documentation, to refine and agree the review questions, and to populate review matrices showing how evidence would be collected and analysed;
- Discussion forums with representatives of 13 sectors, the private sector, civil society organisations (CSOs) and development partners;
- A series of key informant meetings in each thematic area, focused on the review questions;
- Supplementary analysis of data and collation of documented evidence;
- Review of 10 relevant research reports of the Economic Policy Research Centre produced over the past 2 to 3 years;

- Assessment of the national development planning experiences in the four comparator countries mentioned in the NDP itself – Kenya, Ghana, Malaysia and South Korea;
- Visits to 12 districts / municipalities to obtain data and opinion surrounding NDP implementation at local government level;
- Two meetings with a Technical Committee to present and get feedback on progress;
- Internal meetings to peer review the quality and robustness of analysis and interpretation;
- Preparation of the zero draft thematic reports;
- Presentation of draft thematic findings and recommendations to the extended management team of the NPA;
- Conduct of meetings with the NPA review manager to obtain and incorporate verbal comments into the first draft thematic reports;
- Presentation of updated drafts reports to the Ministry of Finance, Planning and Economic Development (MoFPED), the Extended NPA Board and the committee of Permanent Secretaries chaired by the Cabinet Secretary;
- Incorporation of comments on the updated draft reports.

More specifically preparation of the development partnership theme report has included:

- A round table discussion with the joint Local Development Partner Group, which included Heads of Mission;
- Detailed bilateral meetings with 13 of Uganda’s main multilateral and bilateral development partners;
- A number of bilateral meetings with key officials in the National Planning Authority, the Office of the Prime Minister and the Ministry of Finance, Planning and Economic Development, as well as participation in overall MTR meeting with sector ministries;
- A round table discussion with donor representatives in the sector working groups covering accountability, agriculture, education, energy, health, roads and transport, social development, and water;
- Detailed involvement in MTR visits to Gulu and Amolatar Districts in Northern Uganda (in the context of the government’s Peace, Recovery and Development Plan).

The development partnership theme has also included detailed analysis of statistics covering the volume and direction of Uganda's aid. There are two main sources of information about development assistance to Uganda; the data held by the Aid Liaison Department of the Ministry of Finance, Planning, and Economic Development (MoFPED) which is based on donor reporting in Kampala; and data published by the OECD based on reporting from donor capitals. For a number of reasons the two data sets are not identical. They cover different time periods – MoFPED data relates to the Ugandan financial year while OECD data is published on a calendar year basis. MoFPED data better captures aid from non-DAC donors. OECD data probably better captures aid which donors provide “off budget” for example through civil society, although MoFPED is trying hard to make its statistics fully comprehensive. The OECD applies a strict definition of Official Development Assistance (ODA)² which in places may be blurred in the data collected by MoFPED.

The analysis in this report is based largely on the data collected by MoFPED. This is the information that is built into the annual and medium term fiscal framework through which the NDP is being implemented and, for these purposes, it is disaggregated by the sectors that are used in budgeting making it easier to assess how donors are supporting NDP priorities.

1.4 Organisation of the report

The remainder of this report is organised into the following sections:

- Section 1 explains the context in which the development partnership thematic paper for the mid-term review has been prepared including the background to the MTR itself, the way in which the NDP covers development partnerships, the approach that has been used in preparing the thematic paper, and the way in which the paper has been organised.

² OECD DAC defines official development assistance as financial flows from official agencies, which are administered with the *promotion of the economic development and welfare of developing countries* as their main objective; and which are *concessional in character* and convey a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent).

- Section 2 presents an overview of recent trends in the development partnership, including trends in the volume and direction of aid;
- Section 3 considers the question of development partner alignment with the NDP and the contribution development partnership has made to the NDP's progress;
- Section 4 considers progress against the objectives of harmonisation, reduced transaction costs and mutual accountability;
- Section 5 examines the role of Uganda's non-traditional development partners;
- Section 6 looks at the cross-cutting issues; and
- Section 7 draws together the main conclusions and makes recommendations.

2 RECENT TRENDS IN UGANDA'S OVERALL DEVELOPMENT PARTNERSHIP

2.1 Overview

This section explains key recent trends in Uganda's overall development partnership. It answers the review question about the effectiveness of government and donor partnerships during the course of the NDP. It also answers the review question covering recent trends in the amount and modalities of development assistance that have been provided to support the NDP. It provides an introduction to sections 3 and 4 which cover other detailed aspects of the development partnership.

The assessment of the strength of development partnerships during NDP implementation in this thematic paper is based in part on the specific questions about alignment, mutual accountability, harmonisation, and transaction costs that the paper is asked to answer.

These questions have been set in the context of the Paris (2005), Accra (2008) and Busan (2011) international agreements on aid effectiveness and development partnership. The Paris Declaration and Accra Agenda for Action in particular focus on five core principles for effective development which emphasise the importance of: developing countries setting their own strategies for poverty reduction, improving their institutions and tackling corruption (ownership); donor countries aligning behind these objectives and using local systems (alignment); donor countries coordinating, simplifying procedures and sharing information to avoid duplication (harmonisation); developing countries and donors shifting their focus to development results (results); and donors and development partners both being accountable for these results (mutual accountability)

The 2005 Paris Declaration established a monitoring system to assess its implementation. In addition to the fieldwork carried out for the review, material for judgements in this thematic paper is provided by the 2011 Paris Declaration survey of progress. This updated an earlier assessment in 2008, and also measured progress against a 2005 baseline. The findings cover the first year of the NDP period. The

review could not replicate the detailed data collection exercise required to update survey, although where possible information has been collected to assess likely directions after 2010/11.

It is important, however, to introduce the discussion about the strength of partnership with a more general narrative that captures significant recent trends and events, including trends in the volume and direction of development assistance.

2.2 Development assistance trends

As explained in the introduction to this report, analysis of trends in Uganda's development assistance is based largely on data provided by the Aid Liaison Department of the MoFPED. Annex 2 presents the MoFPED data that has been analysed focusing in particular on the first two completed years of the NDP (2010/11 and 2011/12) and drawing comparison with the two preceding years. Annex 2 also captures the key aspects of OECD data focusing in particular on 2011 and 2012. The data in Annex 2 cover total aid flows, the allocation of assistance between budget support and project aid, the sector allocations of assistance using the sector definitions captured in the government's MTEF, and the allocation of assistance between development partners.

Aid to Uganda has been provided in recent years in a global context in which after growing significantly in both real and nominal terms following the 2005 Gleneagles agreement development assistance has subsequently been affected by global recession. Nominal aid levels continued to rise until 2011 but then fell in 2012. In real terms aid levels started to fall in 2011.

For Uganda the key points to highlights are:

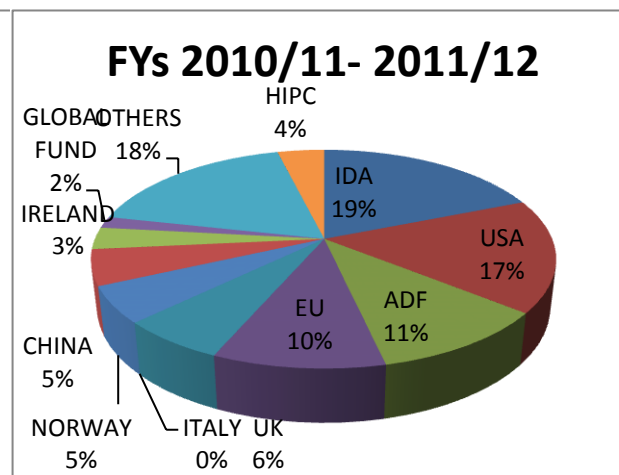
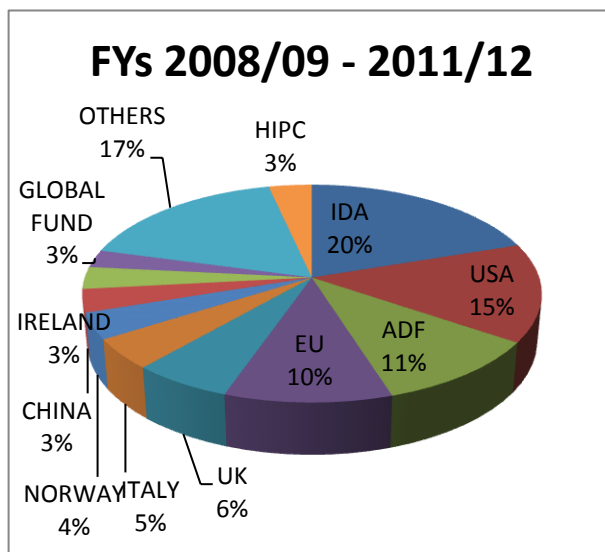
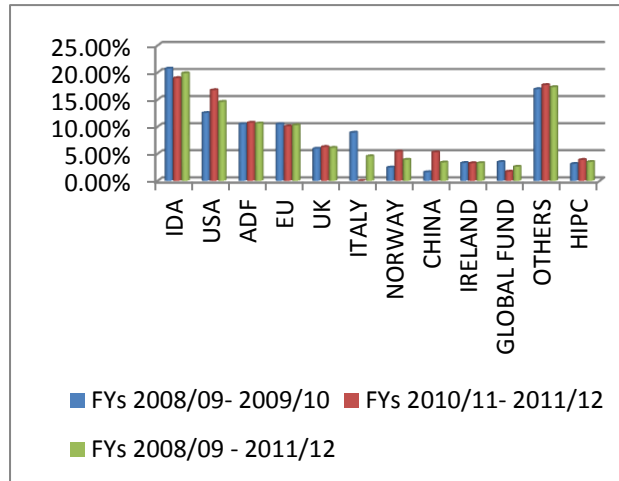
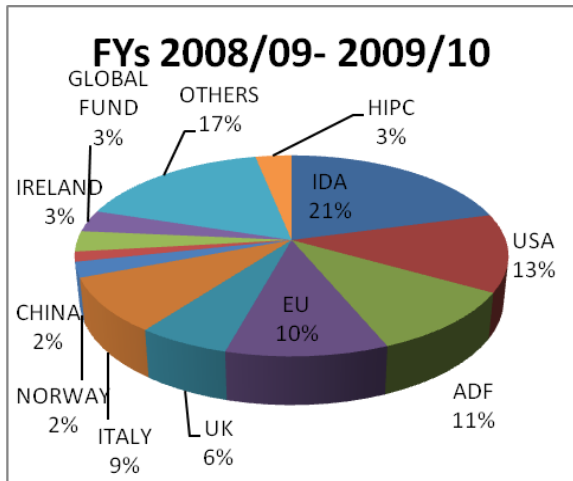
- Year to year volatility in expenditure, for example as major programmes commence and conclude or as partners adjust disbursements in response to issues affecting the wider development partnership, make it difficult to draw categorical conclusions about trends.
- But in total in the first two years of the NDP, MoFEPD estimate that Uganda received aid averaging US\$ \$1,377 million per annum compared to an annual average of US \$1,434 million in the preceding two years. 62 per cent of the

resources provided under the NDP have been included on budget as part of the government's medium term expenditure framework and 38 per cent have been provided off budget³.

- Aid is still important but much less significant in Uganda's economic framework than it was through the 1990s and the first decade of the new millennium. Although in 2011/12 development assistance was still the equivalent of 6.9 per cent of GDP the same figure in 2008/09 was 7.1 per cent and during much of the PEAP was around 15 per cent. "On budget" aid in 2011/12 was 21.7 per cent of total government expenditure and 43.2 per cent of development expenditure (where it is counted in the government's budget estimates). The data shows these proportions can vary significantly on a year to year basis as a consequence of spikes or troughs in total government expenditure (e.g. as macro-economic controls are tightened or weakened) but during much of the PEAP "on budget" aid was around 50 per cent of total government expenditure.
- In the first two years of the NDP, MoFEPD reported that aid was provided by a total of 31 donors. 71 per cent of the amount disbursed was provided by just 6 of these partners (IDA, ADF, EU, USAID, the UK's DFID and Norway). The remaining 25 provided just 29 per cent. This is illustrated in Chart 1 below.

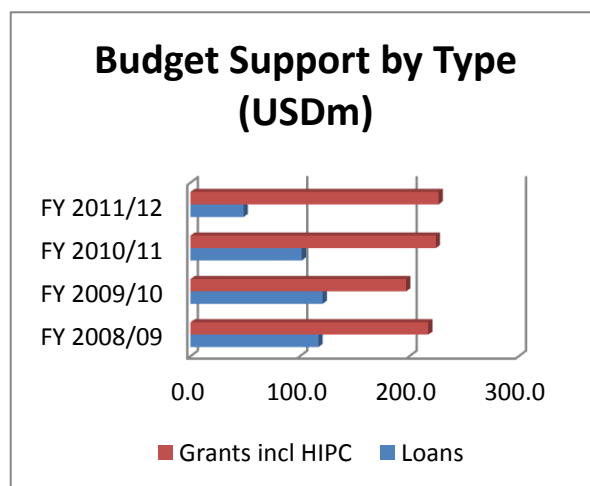
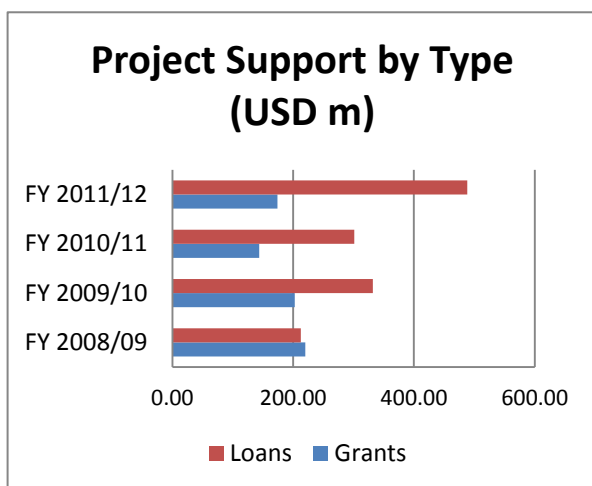
Chart 1: Trends in Aid by Donor (source MoFPED)

³ OECD data show disbursements averaging \$ 1654 million p.a. in 2010 and 2011, down from an average of \$1695 million p.a. in the two preceding years. The differences between MoFPED and OECD data highlight severe shortcomings in aid transparency.



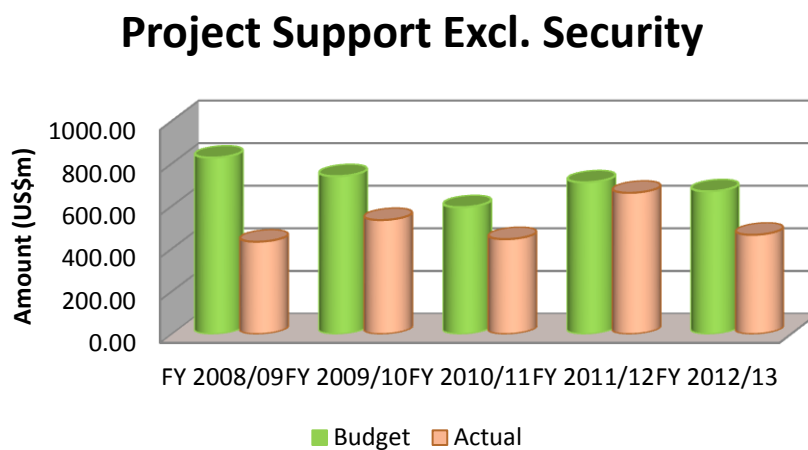
- On average grant inflows amounted to 48.6 per cent of total ODA to Uganda over the period FY 2008/09 to FY 2011/12, of which 54.1 per cent was in form of budget support. Loans amounted to 51.4 per cent of total ODA, of which 75.9 per cent was in form of project support loans and only 24.1 per cent was in form of budget support. This is illustrated in Chart 2 below.

Chart 2: Trends in Aid by Type and Channel (source MoFPED)



Although overall aid disbursements appear to have stayed fairly constant support provided “on budget” has increased (from an annual average of US\$ 810 million immediately preceding the NDP to an annual average of US\$ 854 million during its first two years. Disbursements of “off budget” on the other hand have fallen, from an annual average US\$ 624 million to an annual average of US\$ 523 million comparing the periods immediately before and after the introduction of the NDP. This is illustrated in Chart 3 below.

Chart 3: Trends in Project Support (Budget v Actual Disbursements)



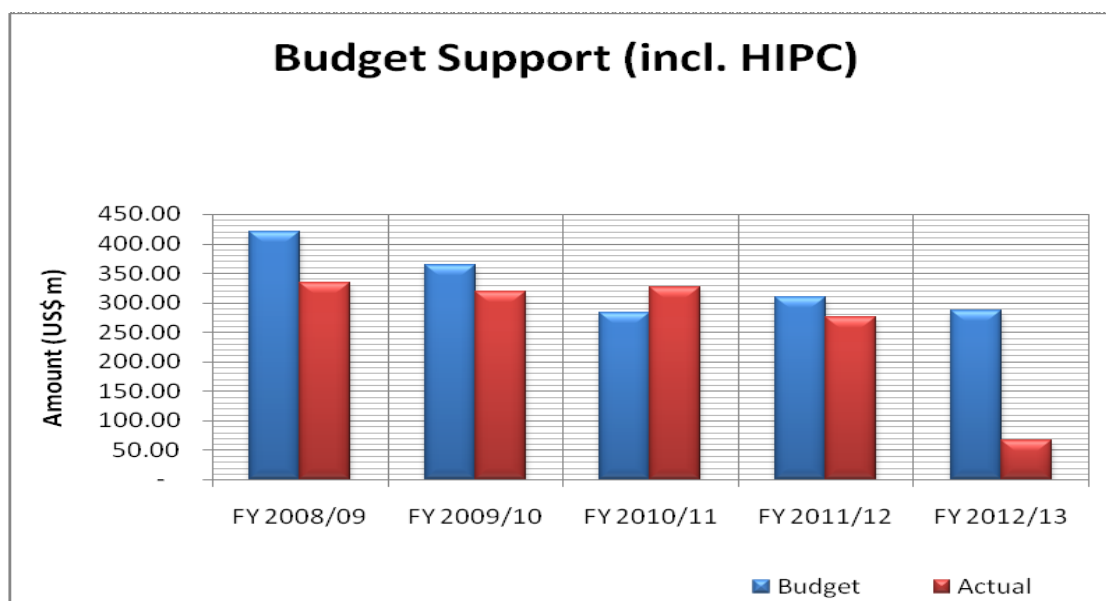
Source: Approved Estimates of Revenue and Expenditure (Recurrent and Development) FY 2008/09, FY 2009/10, FY 2010/11, FY 2011/12, FY 2012/13, MoFPED.

Note: Full disbursement data is not yet available for 2012/13.

Budget support inflows have declined over the years. Budget support (including debt relief) fell from US\$ 334 million in 2008/09 to US\$ 275 million in 2011/12 (i.e. from 23

per cent to 19 per cent of total aid). Budget support disbursements in 2012/13 after ten months of the financial year (up to the end of April 2013) were just US\$ 67 million (the issues explaining this low level of disbursement are discussed below). This is illustrated in Chart 4 below.

Chart 4: Trends in Budget Support (Budget v Actual Disbursements)



Source: Approved Estimates of Revenue and Expenditure (Recurrent and Development) FY 2008/09, FY 2009/10, FY 2010/11, FY 2011/12, FY 2012/13, MoFPED.

Note: Full disbursement data is not yet available for 2012/13

The importance of aid from Uganda’s non-traditional partners has grown. Support from China increased from US\$ 31 million in 2008/09 to US\$ 104 in 2011/12 (i.e. from 2 per cent to 7 per cent of total aid).

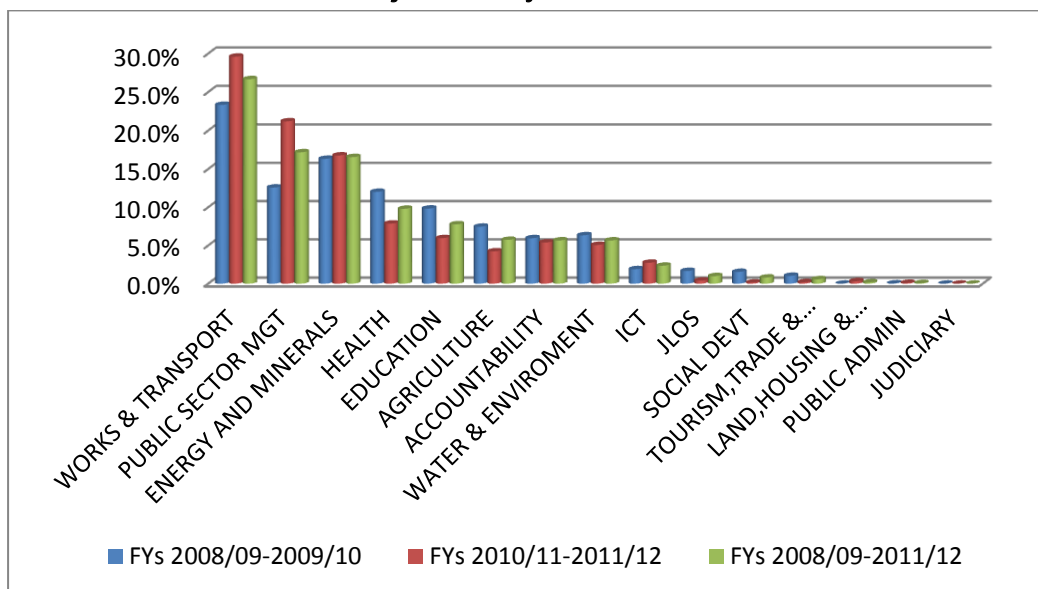
At sector level project aid expenditure included in the government’s budget in 2010/11 and 2011/12 was focused on works and transport (29.6 per cent), energy (16.8 per cent), public sector management⁴ (21.2 per cent), health (7.9 per cent), education (6.0 per cent), water (5.1 per cent), the accountability sector (5.4 per cent)⁵ and agriculture (4.2 per cent) The shares of works and transport and public sector management increased compared to the previous two years and the shares of agriculture, education,

⁴ This sector includes projects in the areas of local government capacity building, public service and pension reform, disaster Preparedness and refugees, and the coordination of the East African Community affairs.

⁵ This includes projects in the areas of macroeconomic policy and management, development policy research and monitoring, private sector development, microfinance, and public finance management and procurement.

accountability, health, water, tourism, and social development fell. This is illustrated in Chart 5 below.

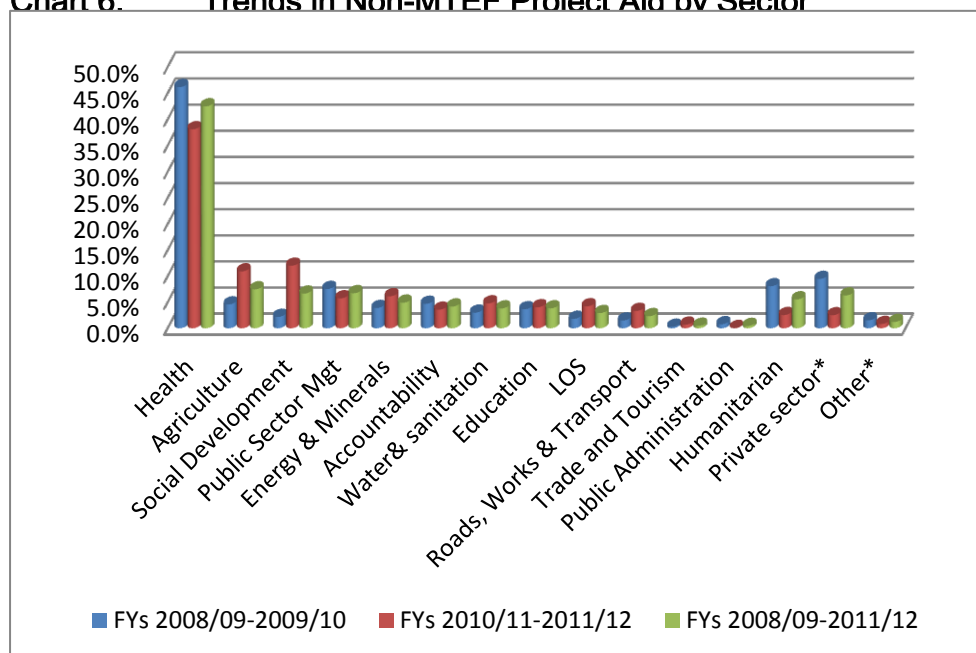
Chart 5: Trends in MTEF Project Aid by Sector



Source: MoFPED.

38 per cent of assistance provided outside the budget in 2010/11 and 2011/12 was committed to health (reflecting in particular USAID spending), 12 per cent to social development (principally social protection) and 10 per cent to agriculture. Health sector spending was nearly half of all “off budget” spending in the previous two years. This is illustrated in Chart 6.

Chart 6: Trends in Non-MTEF Project Aid by Sector



Footnote: * Support that could not be aligned to Government Sectors.

Source: MoFPED.

- There are major and consistent gaps between the disbursement estimates that donors provide before the Uganda financial year commences and actual disbursements once the year gets underway. As Charts 3 and 4 below indicate this is a problem that affects both budget support and project aid. In the case of project aid implementation delays, for example related to procurement are one major cause. The unpredictability of budget support is closely related to development partner’s assessment of results and performance however, the Joint Budget Support Framework has been designed in a way that is supposed to address unpredictability in disbursements (see Annex 3)⁶.

⁶ Donor practices resulting in poor predictability of budget support and shortcomings in the financial information provided for budgeting and reporting have consistently attracted low markings in assessments of Uganda’s public financial management systems using the Public Expenditure and Financial Accountability (PEFA) Measurement Framework – most recently in 2012.

2.3 The framework for partnership in Uganda

As already highlighted, the Partnership Policy that was intended to provide a framework for effective relationships between government and donors during the implementation of the NDP has not yet been finalised and agreed. In its absence relationships have been framed principally by established sector working group processes (linked to the budget) that bring together government, bilateral and multilateral donors and other actors at sector level⁷, and by the Joint Budget Support Framework (JBSF) which since 2007/08 has provided the structure in which general and sector budget support is managed. The JBSF has become the principal focus for high level policy dialogue with joint meetings scheduled between budget support donors and both the Implementation Co-ordination Steering Committee in which permanent secretaries meet to oversee government performance and the Ministerial level Policy Co-ordination Committee which is chaired by the Prime Minister. Annual disbursement decisions are linked to a Joint Assessment Framework (JAF) of actions and indicators.

Meanwhile, non-traditional and bilateral donor support has been minimal over the NDP period but appears to offer opportunity in filling the funding gaps for the rest of the current NDP period and the next NDP. Most of the non-traditional donor support is not under budget support and not normally bound by JAF arrangements.

2.4 Challenges facing government-donor relationships

Within the above framework for partnership, the relationship between government and donors has arguably become increasingly difficult in recent years as consequence of:

- Issues raised around the conduct of the elections in both 2006 and 2011.
- Development partner questions about results and performance, focused on a set of problems that have been regularly discussed in policy dialogue, but on which little progress has been made. These issues include unease about budget planning and implementation as a result of: budgets not reflecting the allocations proposed for priority areas in the NDP; the significant underfunding of front line service delivery

⁷ This includes the framework for the implementation of the Peace Recovery and Development Programme (PRDP) in Northern Uganda.

and infrastructure maintenance; and persistent supplementary budgets that favour public administration (including State House). They also include perpetual concern about the government's low revenue performance.⁸

- A number of very high profile cases revealing significant misappropriation of public funds especially since the 2006. The resources involved have included Global Health Funds, finance set aside for the Commonwealth Heads of Government Meeting (CHOGM) in 2007, and Government Pensions. At the end of 2012 a major fraud was revealed by the Auditor General involving the misappropriation of 14 million Euros of aid financing from Denmark, Ireland, Norway and Sweden and a further £1.3 million from DFID. The resources had been set aside for the peace recovery and development programme (PRDP) in Northern Uganda. Government employees working principally in OPM, but also in MoFPED and the Bank of Uganda, are under investigation.

Although aggregate aid flows have not fallen as a consequence of these difficulties in the relationship between government and donors they help explain some of the volatility in aid disbursements and in particular why in recent years budget support has usually been much less than initially predicted.

At the time of writing this report all budget support donors including the World Bank, had frozen their budget support disbursements in the wake of the OPM fraud. The first step in the decision to lift this freeze is linked to a high level action matrix that requires the government to return misappropriated funds, to take administrative and legal action against those involved in the fraud, and to strengthen financial systems to close loopholes. Dialogue between government and donors on this matrix is being managed by MoFPED rather than OPM. Subsequently disbursement decisions will depend on performance against the Joint Assessment Framework. There are clear indications that a number of donors are unlikely to release the funds they have held back. All budget

⁸ Successive Donor Statements at the Annual Budget Workshop in recent years have each covered much the same ground.

support donors are currently considering whether they will continue to use this instrument going forward ⁽⁹⁾.

The Partnership Policy has not advanced as foreseen in the NDP. OPM reportedly presented a draft policy for Cabinet approval in mid - 2012 but it has not yet been tabled for Cabinet discussion. Donors engaged actively in Partnership Policy discussions through to the middle of 2011 and in DFID's case provided technical assistance to help in its preparation but government enthusiasm to put it in place seems to have decreased. There is a need to revive discussions on the issue at the technical level for it to be informed by more recent donor and government thinking.

⁹ It is estimated that in total \$270 million is affected by the freeze which includes resources from the World Bank, the EU, DFID, Denmark, Germany, Sweden, Austria and Belgium. Ireland has already decided to withdraw budget support it had pledged prior to the fraud. The Netherlands and Norway had stopped providing budget support prior to 2012/13.

3 DEVELOPMENT PARTNER ALIGNMENT

3.1 Overview

This section examines donor alignment with the NDP. It answers the review question about the mechanisms that the government has used to ensure that development partners' support is aligned with NDP priorities. It also answers the review questions on the extent to which donor strategies are aligned to the NDP and the extent to which their priorities have changed as a response. Finally it considers how far donor programmes have measurably contributed to the achievement of NDP progress.

3.2 Mechanisms to secure development partner alignment with the NDP

The Sector Working Group (SWG) and budgeting processes which existed prior to the NDP have continued, as they were under the PEAP, to be a key mechanism for ensuring that development partner support is aligned with national planning priorities. Development partners are particularly active in 9 of the 16 main sector working groups¹⁰ that exist under the current structure as well as in the cross cutting groups that have been established for HIV/AIDS and for gender. These meet at least quarterly. In parallel with these groups development partners maintain their own sector arrangements to co-ordinate and share information. The larger sector working groups, such as those for health and education, break in to smaller groups at technical level to cover key sub-sectors.

Dialogue in SWGs, and through the stages of the budget process, provides an opportunity for development partners to engage in the design, implementation and monitoring of Sector Strategic Investment Plans and the preparation of annual and medium term budgets (including the public investment plan). These processes typically include a major sector review towards the end of each calendar year as the annual budget preparation process gets underway, and a preparation of an annual sector

¹⁰ These are the Sector Working Groups for Agriculture, Water and Environment, Energy and Mineral Development, Works and Transport, Accountability, Social Development, Health, Education and Justice, Law and Order.

performance report at the same time. The latter feeds in to the Government's Annual Performance Report (GAPR) process which is overseen by OPM. Sector planning, budgeting and dialogue in turn gives government scope to influence the way in which donor resources (both on and off budget) support the implementation of the priorities set out in sector plans.

Discussions with a small sample of development partners who lead or support donor engagement in different sectors, however, reveals concern about variation in the quality of discussion in Sector Working Groups and a sense that technical discussions may have been more productive in recent years than higher level policy dialogue (including in annual reviews). In other meetings with development partners it was noted that the quality of dialogue on the budget deteriorated significantly in 2010/11, especially in the run up to national elections. Donors (as well as civil society) were not invited to participate in the national budget workshop for the 2011/12 budget that took place in March 2011. On the issue of aligning discussions in sector working groups with NDP priorities, development partners observed during interviews that while the MoFPED consistently attends sector working group meetings, the NPA participation has been inconsistent and weak, possibly arising from the failure of the NDP to restructure the SWGs.

The JBSF has also offered a structure for aligning development partners behind NDP priorities by providing the means for ensuring the results used by development partners to trigger disbursement of general and sector budget support are linked to NDP objectives. A Memorandum of Understanding that was intended to formalise the arrangement is not yet in place, but Annex 3 explains how the JBSF has operated in practice.

Over time the actions and indicators included in the Joint Assessment Framework (JAF) for the JBSF have increasingly been drawn from the GAPR process, agreed sector strategic plans and government Ministerial Policy Statements, with limited direct links to the NDP. The JAF assessment has been co-ordinated and discussed alongside the

government's own annual review in the context of a joint meeting of the high level Policy Co-ordination Committee.¹¹

The links between budget support decisions and the achievement of NDP objectives depend upon the extent to which the NDP provides the framework for sector strategic plans and the GAPR. It is relevant that the JAF has been criticised for being overly complex. The versions that have been used up to 2012/13 have contained a very large number of actions and indicators that may have served to blur the strategic line of sight to the NDP. The quality of dialogue in the JBSF has also raised concerns. Development partners have consistently raised questions on a key set of recurring issues on which they feel little progress is made from year to year. Divergent views about performance have rarely been resolved.¹²

3.3 Donor priorities and alignment with the NDP

The 2011 survey of Uganda's progress in implementing the Paris Declaration concluded that there was high degree of alignment of aid flows with national priorities, although the indicator used in making this judgement did not capture off budget project support, for example provided directly to recipient NGOs or project implementers.¹³ The survey also observed good progress in the co-ordination of development partner technical assistance with national priorities and strategies.

The interviews carried out with development partners for this thematic paper suggest that development assistance has continued to be closely aligned to the NDP as it has

¹¹ In 2012/13 however the JAF assessment was separated from the government's own annual review of performance because of the budget support freeze imposed as a consequence of the misappropriation of donor funds for the PRDP. At the time of preparing this draft no joint meeting of the PCC had taken place since early 2012.

¹² The JAF review process allows for divergence in the assessments of government and development partners.

¹³ As a proxy for alignment this Survey used an indicator that measured the percentage of aid disbursed by donors for the government sector that is included in the annual budget for the same fiscal year. In 2010 the estimate for this indicator was 96 per cent. The indicator takes no account of off budget financing.

been implemented. In particular all development partners claimed that their strategies and programmes are aligned to the NDP and highlighted that their strategy documents emphasise the importance of the NDP in providing a framework for assistance.

However, it can be argued that this perspective reflects the broad range of NDP objectives and priorities (“intertwining economic growth and poverty eradication”) that permits donors to claim alignment across a range of strategic approaches and activities.

In looking in more detail at development partner conclusions on alignment the following observations can be made:

- The alignment of development assistance is linked to the coverage and quality of sector strategies. There is still concern that not all sectors have effectively aligned their sector strategic plans to the NDP. In some quarters there is also concern that the JAF which determines budget support disbursements is not well aligned to the NDP because of weaknesses in the link between the NDP and the GAPR process in which the JAF is principally developed and reviewed.
- There are particular challenges in assessing the alignment of “off budget” resources because, although they may be reviewed in sector working group processes, they are less likely to be factored in to sector plans and included in monitoring and evaluation frameworks. (This point was emphasised during the district visits to Gulu and Amolatar which are discussed in Annex 1).
- Although a number of development partners adjusted their strategic planning cycle to align it with the NDP (including the World Bank, Africa Development Bank and USAID), most were constrained from doing so by existing arrangements and by internal institutional requirements.¹⁴
- Few donors have been able to indicate a long term financial envelope that might better facilitate NDP programming. The exceptions include the World Bank, Africa Development Bank, DFID and the EU.
- Constraints on alignment have been imposed in a number of cases by restrictions on the use of the resources available to development partners, in particular because

¹⁴ The UK DFID prepared a new Country Plan in 2010 covering the Period 2010/11 – 2014/15 but this cycle was determined by UK election patterns rather than the time-period of the NDP.

they are drawn from vertical funds with specific purposes. The US programme in Uganda for example draws resources from a number of vertical initiatives in Washington some of which have been created by Congress (for example on human rights and investing in people) and some of which have been created by Presidential initiative (such as “empower Africa trade” and “feed the future as well as global health initiatives covering malaria HIV/AIDS and the saving of mothers lives).

- But there is some evidence that in the allocation of support donors collectively have started to reflect the NDP’s aim to broaden Uganda’s development strategy from poverty reduction to structural transformation that increases growth and living standards. At sector level although combining both on budget and off budget support, the health sector has continued to be the largest recipient development assistance, its share of expenditure has declined from an average of 31 per cent in the two years before the NDP to 27 per cent during the first two years of its implementation. The project aid share of works and transport on the other hand has increased from 14 per cent in the two years preceding the NDP to 17 per cent during its implementation, and the share of energy has increased from 10 per cent to 12 per cent.
- As already discussed in earlier, if “on budget” project aid is examined separately the transport and energy sectors are already the largest recipients. And these aid expenditure shares would have been even higher if development partners had been able to spend resources in line with the planning figures they provided to MoFPED (This problem reflects wider difficulties in implementing projects in these sectors including the impact of delays in procurement).
- The data available on the engagement of development partners at sector level shows that although there are still many more donors engaged in the social sectors than are engaged in infrastructure, the number of donors working in infrastructure is increasing, despite constraints imposed by the scale of resources required to participate effectively in infrastructure investment. The agriculture sector has significantly the largest concentration of development partners.
- And a number of the development partners engaged in infrastructure¹⁵ have specifically aligned their support for investments that are identified as national core

¹⁵ The World Bank, the Africa Development Bank, the EU and Japan.

projects which are essential to “unlock binding constraints” to growth, focusing on those in irrigation, energy and road transport.

The framework for monitoring the Paris Declaration assesses alignment in a number of different dimensions in addition to the alignment of aid flows with national priorities. These dimensions include the reliability of country public financial management and procurement systems; donors’ use of these systems; the predictability of aid; and the extent of aid untying.

In this wider context, the 2011 Paris survey noted some improvement in the use of Uganda’s public financial management and procurement systems for aid disbursements, especially government audit and government financial reporting systems,¹⁶ although the change was small. The use of parallel project implementation units for programme execution had declined considerably. And by the time of the survey 95 per cent of Uganda’s aid was untied. The survey, however, also reported a disturbing decline in the reliability of public financial management systems (despite reforms) because of human resource and institutional capacity constraints. The poor predictability of aid was identified as a particular and continuing cause for concern.

Section 2 has highlighted that through a longer period of NDP implementation the poor predictability of aid has persisted as a major problem. The misappropriation of aid funds at the end of 2012 suggests the reliability of public financial management systems has also remained a difficult issue, although one of the commitments the government has made in the wake of the OPM scandal is to address the system loopholes that were exploited. There are clearly risks that the gains that have been made in the use of government public financial management and procurement systems and in reducing the number of parallel project implementation units will be rolled back if concerns about the reliability of government systems are not addressed.

¹⁶ This improvement did not apply to systems for budget execution.

3.4 Development partners' contribution to NDP progress

The results framework theme paper for the NDP review concludes that performance against the majority of NDP objectives and targets has so far been disappointing. Judgements about development partners' contribution to NDP progress need to be set in this context. Although there is scope for debate about counterfactual outcomes in the event that development partners had not been involved, they arguably cannot be absolved from at least partial sharing responsibility for under-performance in sectors where they are particularly active. The impact of poor aid information flows and unpredictability in disbursement on macro-economic management also needs to be carefully weighed.

More positively it is possible to identify a number of ways in which development partners have helped underpin the progress that has been made. In particular:

- The JBSF has supported the government's focus on performance and results in the context of the GAPR framework. The pre-conditions for budget support that have been included in the JAF have re-enforced the importance of service delivery funding, budget credibility, effective procurement, domestic revenue generation, the performance of public servants and sound financial management in achieving results. Indicators and actions at sector level have helped emphasise the importance to the achievement of NDP goals of a key set of results in health, education, transport, and water and sanitation focused especially on the health of women and children, education quality, infrastructure maintenance, and access to safe water and sanitation respectively.
- In the health sector development partner participation in sector working group processes and both "off budget" and "on budget" development partner support (especially for commodities) have been directly associated with improvements under the NDP in increasing the proportion of deliveries that take place in health facilities, increasing child immunisation (with DP3), increasing the proportion of health facilities without drug stock outs and increasing the number of couple years of protection through contraception programmes.
- In education, although NDP performance has been disappointing overall, development partner engagement in sector working group processes has re-enforced the JBSF focus on improving education quality. A number of donors, such

as the AfDB have increased their support for vocational training and skills development in line with NDP objectives.

- Development partner support in the roads sector, especially from the World Bank, European Union, AfDB and Japan has helped secure recent improvements in the proportion of both paved roads and unpaved roads that are in fair to good condition. This investment is set to increase over the remaining period of the current NDP especially as a result of projects which are already underway or in the pipeline for example to link Northern Uganda to South Sudan, to link Western and Northern Uganda and to further improve the urban network around Kampala.
- Development partner support has helped underpin the progress that has been made in implementing the NDP's national core projects. Support from AfDB, Japan and the IFC helped to finance the Bujugali hydro-power project which was completed during the early stages of the NDP. Finance from AfDB has been secured to rehabilitate the Doho, Agoro, and Mubuku rice irrigation schemes and AfDB finance is in place to complete the rehabilitation of the Olweny swamp rice irrigation project. Japan has supported the pre-feasibility study for the Ayago hydro- electric power project. Donor funded technical assistance has helped underpin the development of capacity that is essential for effective NDP implementation. Important successes include: the FINMAP programme that is supporting improvements in the public financial management systems (although FINMAP has had some weaknesses); the support that is being provided in the justice, law and order sector which overall has secured major improvements in access to justice and more specifically supported major reforms on issues central to economic development such as the enforcement of contracts and the settlement of commercial disputes; and the support that has been provided to establish strong capacity in OPM to manage the monitoring and evaluation of government performance – however, it should be noted that NPA holds the view that the M&E role is only a periphery component under the OPM's constitutional mandate of coordination of implementation but the mandate of the NPA.
- DFID has provided funding for an NDP Trust Fund managed by the World Bank which has focused on the design and implementation of policies in key areas including rural electrification, tourism, education quality, public investment management, the implementation of agricultural policy, and the management of

water resources. However, the lack of involvement of the NPA in the management of this fund has resulted in complaints from the NPA.

- Donor funding (which is an estimated 70 per cent of total expenditure) has been central to the progress that has been made in the rehabilitation and development of northern Uganda under the Peace, Recovery and Development Plan (PRDP). Implementation of the PRDP started in 2009 in the wake of nearly 20 years of conflict and is now in a second phase that will run to 2015. Although the PRDP currently runs in parallel to the NDP it is an integral part of the government's planning framework. The vision from 2015 onwards is that it will be absorbed more fully integrated in the next NDP.

4 HARMONISATION, TRANSACTION COSTS AND MUTUAL ACCOUNTABILITY

4.1 Overview

This section addresses the review questions covering the extent to which the NDP has provided a framework for improved harmonisation and reduced transaction costs in dealing with development partners. It also addresses the question covering the extent to which the NDP has provided a basis for mutual accountability between government and development partners.

4.2 Harmonisation and transaction costs

The NDP anticipated that a key focus for the Partnership Policy would be improved harmonisation between development partners which would help reduce government's transaction costs. It was particularly expected that greater use of joint programme based approaches in the provision of aid (especially budget support) would be a basis for greater use of uniform disbursement and accountability rules, common indicators and reporting systems and more joint missions and analytical work. It was also hoped a better division of labour would reduce the number of individual donors operating in each sector, and agreement on key mechanisms such as a closed season on donor missions during the particularly busy time of budget preparations would further reduce the burden on government.

In contrast the 2011 Paris survey reports a decline in the proportion of development assistance provided through programme based approaches from 66 per cent in 2007/08 to 49 per cent in 2010/11. This fall reflects a decline in importance of budget support, although the scale of the reduction also suggests a wider decline in programme approaches. Development partner concerns about governance and performance which have helped trigger falling levels of budget support have been explained earlier and may also explain the wider decline of aid provided in joint programme approaches, for example through pooled funds. These concerns have increased further as the NDP has been implemented. More generally budget support is

under greater scrutiny in donor countries than it has been in the past sense with views changing about its wider role.

The Paris survey also reported that in 2010/11 just 24 per cent of missions were conducted jointly. This was only a marginal improvement on previous years and far short of the target that had been set.¹⁷ There was better progress in the harmonisation of analytical work but still only a little more than half of country analytical work was undertaken jointly. The interviews conducted during fieldwork for the review suggest little change in these patterns as the NDP has been implemented. It has not been possible to enforce a closed season on the donor missions during key budget preparation missions as had been hoped.¹⁸

Between 2006 and 2008 development partners in Uganda engaged in a major exercise focused on rationalising their individual sector engagement and improving the division of labour based on their comparative advantages. The exercise started in the context of the Uganda Joint Assistance Strategy.¹⁹ At first it attracted strong government leadership. Although this leadership became less evident over time the process resulted in important changes as a significant number of donors cut back on the sector spread of their activities. The allocation of the lead donor roles became clearer.

Development partners have continued to monitor the breadth of their individual engagement. The information that is available makes it clear that over the last few years the momentum for rationalisation has not been maintained and in practice there has been substantial drift in the opposite direction. Table A below shows the number of donors engaged in each of Uganda's main sectors (as defined for budget purposes)

¹⁷ Although this indicator only covers overseas missions and does not for example capture co-ordinated "in country missions" such as those conducted through the Joint Budget Support Framework.

¹⁸ The review team conducted its own fieldwork during this period and was made very aware of the high workloads in government as the budget is finalised. One development partner was known to have organised annual aid talks at the same time.

¹⁹ The UJAS was in place between 2005 and 2009 as a shared policy document outlining ways in which donors would harmonise their individual efforts and fully align their activities in order to help achieve the objectives of the PEAP. The initial 7 UJAS partners comprised the ADB, Germany, Netherlands, Norway, Sweden, UK and the World Bank. Subsequently Austria, Belgium, Denmark, Ireland, and the European Commission signed up.

comparing 2008/09 and 2011/12. Over this period there have been increases in donor engagement in all sectors apart from Health, HIV/AIDS and Lands and Housing. Annex 4 presents more detailed analysis. It highlights that all of Uganda's main development partners appear to be engaging in this process of de-concentration.

Table A: Donor Division of Labour; 2008/09 and 2011/12: *Source, World Bank*

Sectors and Subsectors	Active DPs 2008/09	Active DPs 2011/12
1. Security	3	4
2. Roads and Transport	5	9
3. Agriculture	13	19
4. Education	11	14
5. Health	16	15
6. Water and the Environment		5
6.1 Water and Sanitation	8	9
6.2 Environment/Climate Change	7	11
7. Justice, Law and Order	10	13
8. Accountability	6	11
8.1 Public Financial Management	3	9
8.2 Anti- corruption	1	5
9. Tourism, Trade and Industry	8	12
10. Information, Communication and Technology	3	4
11. Energy and Mineral Development	6	10
12. Lands and Housing	3	2
13. Social Development	11	13
14. General Public Administration	2	3
15. Public Sector Management		4
15.1 Decentralisation	6	7
15.2 Public Service Reform	4	2
16. Parliament	5	8
Cross Cutting		
1. HIV/AIDS	18	14
2. Gender	10	16

It is difficult to be sure why progress that was made around 5 years ago has been reversed so quickly. One possibility is that reporting has not been provided on a consistent basis, although there is no reason to believe this is the case. Another is that the wider view of development priorities set out in the NDP has encouraged development partners to move into new sectors without at the same time cutting back their engagement in sectors where they have previously been working. A third is that the decline of budget support as a disbursement modality has led donors to drift in to new sectors to disburse the resources they have set aside for Uganda. Since in the past humanitarian aid has frequently provided the outlet for uncommitted programme resources this trend could have been exacerbated by the sharp fall in Uganda's humanitarian needs once conflict in the North subsided. The NDP appears therefore not so far to have been associated with improved harmonisation and reduced transaction costs, although the key factors explaining trends in harmonisation and transaction costs probably lie outside the framework of the NDP itself.

It is also worth noting that the issue of transaction costs is one where little rigorous work has been done to assess costs against key benefits and to map out ways in which government and development partners individually and together can best address what all seem to agree is a significant problem²⁰. Although it seems clear that the re-allocation of development assistance from budget to other programme modalities or projects will increase both government and development partner transaction costs (including staff costs) it would be useful to have more analysis of the detail of this that for example addressed concerns about the high transaction costs of the JBSF (which include a large technical unit financed by a World Bank trust fund), or which looked in more detail at incremental changes in costs as different modalities are engaged or donor fragmentation increases.

4.3 Mutual accountability

The NDP anticipates the establishment of new mechanisms through which there will be mutual assessment by government and development partners of the implementation of their commitments on aid. These mechanisms were to be spelt out in the Partnership

²⁰ This is a gap discussed at some length in the PEAP evaluation.

Policy. The Partnership Policy draft that has been presented to Cabinet proposes a monitoring framework with indicators that will be reviewed annually and independently evaluated every three years.

In the absence of an agreed Partnership Policy the JBSF has offered a more limited structure for mutual accountability. The JBSF has provided a context for policy dialogue and for government accountability for the achievement of targets including in its own performance assessment framework. Within the JBSF the government is also held accountable for its commitment to the underlying principles governing the relationship between the government and development partners (peace and stability, democracy, human rights and the rule of law/access to justice) and for meeting essential pre-conditions for the provision of budget support covering macro-economic policy, fiscal policy, public financial management, the fight against corruption, its commitment to poverty reduction and growth, and the quality of dialogue.

Development partners are in turn held accountable for a set of commitments in the final section of the JAF. In the absence of an agreed Partnership Policy these have focused on reducing aid conditionality and increasing the predictability of aid, although the JAF for 2011/12 (the assessment of which has been delayed by the current budget support freeze) also tentatively included indicators on transparency and accountability. In practice for the 2010/11 JAF (the last reviewed) targets for the agreed indicators could not be agreed and they were therefore not assessed.

In summary the NDP has influenced the mutual accountability framework provided by the JBSF through its impact on the underlying principles, pre-conditions for budget support and individual sector objectives, indicators and targets, but it has not been able so far to achieve its objective of putting in place a wider monitoring framework that would for example more fully embrace development partners commitments on aid effectiveness. No progress has been made on the NDP's proposal to explore the possibility of introducing the type of development partner accountability mechanisms being used in other countries such as independent monitoring by a local panel of experts.

5 DEVELOPMENT ASSISTANCE FROM NON-TRADITIONAL PARTNERS

5.1 Overview

This section examines Uganda's relationship with its non-traditional development partners. It describes the main features of the assistance that non-traditional partners provide and discusses the opportunities for using this assistance more effectively to support the NDP. It addresses the review question covering the scope for more effective collaboration with non-traditional partners.

5.2 Trends in support from non-traditional sources

The importance of aid from Uganda's non-traditional development partners has increased steadily in recent years, but currently amongst the group of emerging donors collectively known as the BRICKS²¹ only China and South Korea have committed significant support. The government's data on aid flows suggests that the finance received from these sources is still less than 10 per cent of all development assistance. Table B provides details. In FY 2011/12 MOFPED recorded aid of \$104 million from China, compared to \$31 million of aid recorded from the same source in 2008/09. South Korea's engagement is very new and much smaller. Support of just over \$1 million was recorded in FY 2011/12.

Table B: Trends in Development Assistance from Non-Traditional Partners (\$m.)

Donor / Creditor	FY 2008/09	FY 2009/10	FY 2010/11	FY 2011/12
China	31.45	14.61	41.48	103.80
South Korea	-	-	-	1.40
Total	31.45	14.61	41.48	105.20

Source: Ministry of Finance, Planning and Economic Development

²¹ This group comprises Brazil, Russia, India China, Korea and South Africa.

Support provided by non-traditional partners, particularly China and South Korea, is in the form of project aid and is both on budget and off-budget. .

5.3 Aid from non-traditional development partners and alignment with the NDP

Although project grants are normally managed outside Government systems (off-budget), they contribute to the implementation of NDP priorities. Uganda receives grant aid from China which is provided as resources in kind, either through technical assistance or “turnkey” construction of infrastructure like new office buildings and the Nelson Mandela sports stadium. The provision of health teams linked to the China-Uganda Friendship hospital in Kampala is an example of technical assistance extended to Uganda.

Across its programme China can claim significant alignment with the priorities set out in the NDP. The loans include two key investments to support important infrastructure development, namely; the construction of the Kampala-Entebbe Express and the construction of the national IT backbone. China has raised the prospect of a further loan to support the construction of the Karuma hydro power project which is one of the national core projects specifically identified in the NDP as central to the achievement of its objectives.

5.4 Key aspects of the future development partnership with non-traditional partners

Going forward support from Uganda’s non- traditional partners is expected to continue to grow in significance. Assistance from China is predicted to increase above current levels. Although South Korea’s programme is likely to remain relatively modest, there are indications that other emerging development partners such as India may offer support in the future, for example for investment in energy.²²

There are aspects of the support received from non- traditional partners that make it particularly attractive to Uganda’s government. Support from non –traditional partners, for example is less likely to be subject to conditions related to governance and human rights. There is also substantial scope to use non –traditional assistance to contribute

²² The government has convened preliminary discussions with the EXIM Bank of India about the possibility of investing in the energy sector.

very directly to NDP goals, for example as a consequence of a preference for financing infrastructure investments that may exploit non-traditional partners' comparative advantages.

At the same time, however, there are a number of aspects of support from non-traditional sources that require careful management to secure its full advantages. The key points to note are:

- A high proportion of support from non-traditional sources is provided as loans rather than grants. Although these are concessional they may offer less concessionality than loans from other sources such as the World Bank and Africa Development Bank. They may not, for example, qualify under OECD rules as official development assistance.²³
- A high proportion of assistance from non-traditional sources continues to be tied reducing its flexibility.
- The likely scale, as well as the nature, of assistance from non-traditional partners means that it in many respects it should be viewed as complementary to assistance from more traditional sources rather than support that will displace it. There is a case for government encouraging greater co-operation between traditional and non-traditional development partners.
- It has so far proved difficult to engage non-traditional partners in the structures that have been established for co-ordinating donor assistance in the context of the government's development objectives. Although it may continue to be difficult to engage non-traditional partners in joint high level arrangements for policy dialogue there may be greater scope for securing their involvement in sector working group processes.
- There is significant scope to improve the transparency of assistance from non-traditional partners in a way that can improve its integration with other sources of development finance. There are concerns that in the past information about the scale of support has only been partial and that future plans have often been closely guarded.

²³ Chinese loans for example are typically provided at interest rates of 2-3 per cent with a 20 year repayment period.

6 CROSS-CUTTING ISSUES

6.1 Overview

This section outlines issues related to development partnership that have been taken from a series of six cross-cutting reports that were separately commissioned alongside the NDP mid-term review. The section is organised in such a way that there is a sub-section for each of cross-cutting theme in which relevant issues are discussed.

6.2 Social protection

The social protection report notes that while social protection is clearly mentioned in the NDP, the national focus during NDP implementation has been on economic growth and production, with social development on the fringes. The report states that this can be seen in budget allocations and consultations with various ministries and districts in identifying national priorities. Secondly, the report states that the heavy reliance upon donor funding and the limited GoU financial commitment raises concerns over the sustainability of existing social protection interventions. The report recommends formulating a strategy to bolster, publicise and expand the Senior Citizen Grant (SCG) (a pilot cash transfer programme) in the remaining period of this NDP. The report also states that social protection should be included more explicitly as a part of the national growth strategy in the next NDP with clear budgets and implementation plans to operationalise it.

6.3 Human rights

The human rights report recognises that formulation of the current NDP was highly consultative. However, it is claimed that the process was not inclusive enough to involve the participation of all levels of society, including the poor and vulnerable. It is further asserted that the current NDP has not provided enough acknowledgment of the contribution made by civil society / non state actors. For example, a lot of human development work has been done by civil society in Uganda (often funded by development partners) which has gone unrecognised. This includes health, education, human rights, conflict resolution, access to justice such as legal aid services to mention but a few.

In view of the above, it is recommended that the development of the next NDP should go through a process of effective consultation involving all levels of society and development partners. There is need therefore, to start the preparations for the next plan now as this will ensure that that all the stakeholders are consulted in good time for the NDP to be owned as widely as possible. Furthermore, the Government must provide enough room at the table for non-state actors who have greatly contributed to the human development that Uganda now experiences. This would ensure inclusive planning and appropriate identification of the relevant areas of prioritisation within the plans.

6.4 Democracy and political governance

The democracy and political governance report indicates that the development partner support to JLOS has been critical to the improved performance in the sector as most of the sector's key initiatives have been supported by development partners. However, there are some challenges of transparency and accountability. For example, it is asserted that there is no proper mechanism for mutual accountability.

The report also indicates that civil society and the private sector have not played a strong role in NDP implementation, and that government has not created an enabling environment to facilitate such participation. CSOs and the private sector should be partners in NDP implementation. NPA should coordinate the activities of CSOs to create impact and ensure that NGO engagement is linked to national plans and programmes. Development partners should effectively track aid money being channelled through national and international NGOs to ensure it is linked to national plans and programmes.

The report also makes a number of recommendations to address institutional constraints to the involvement of key stakeholders. These include formulation of concrete strategies to open up civil society space for their full participation in national development; improvement of the accountability of national institutions by providing support for the strengthening of public financial management systems along with oversight bodies such as the Auditors General, government inspectorates, anti-corruption agencies, and civil society organisations including media; and access of

information to CSOs and media as vanguards of democracy if they are to educate the citizens and hold government to account.

6.5 Child rights

The child rights report recognises that while children's welfare issues have been prioritised in the NDP, child rights have not been prioritised during the past few years. Particularly, with regards to immunisation programme that has been perpetually underfunded by government. The funding challenges for routine immunisation have continued during the implementation of the NDP. According to the Ministry of Health, the reduction in the share of the health sector within the national budget has resulted in reduced funding allocations to the Uganda National Expanded Programme Immunisation (Ministry of Health, 2012a). That notwithstanding, the health sector has been and continues to be a major recipient of off-budget donor support, including funding for the immunisation programme. The largest proportion of vaccine costs are met by development partners (94 per cent). However, overtime development partners have become increasingly concerned with the efficiency of the immunisation programmes and have in a number of instances suspended support. For instance, immunisation activities were affected during 2011/12 due to delays in signing the Memorandum of Understanding between GAVI and the Ministry of Health.

7 CONCLUSIONS AND RECOMMENDATIONS

This section summarises the main conclusions of this thematic paper and makes recommendations that address the review questions covering the ways in which Government / Development Partner relations can be strengthened so that efficient and effective implementation of the NDP is enhanced.

7.1 Summary of overall findings

Recent trends in Uganda's overall development partnership

In both real terms and as a percentage of GDP, development assistance has continued to decline during the NDP period, but in nominal terms it has remained constant and for the short to medium term, donor financing remains very important in Uganda's development. Finance provided "on budget" still constitutes over 20 per cent of overall government expenditure and over 40 per cent of the development budget. In addition there are substantial resources provided by donors outside the government's budget framework. This "off budget" support constitutes over one third of all donor financing.

The contribution development partners are making to the NDP has been constrained by a set of factors that together serve to undermine the development partnership and the impact of aid. In particular:

- The NDP's aim to manage development assistance in the context of a new Partnership Policy that would codify commitments on both sides of the development partnership has not yet been fulfilled. A policy has been drafted and presented to Cabinet but there appears at present to be little momentum to take it forward.
- Development partners concerns about governance and corruption have become increasingly serious in the context of a series of high profile corruption cases and donor questions about performance and results, highlighted by a set of persistent problems dominating dialogue in the JBSF. The imposition of a freeze on budget support towards the end of 2012 in the wake of a major fraud involving theft of donor finance for the peace, recovery and development programme in northern Uganda may have been a watershed. Levels of budget support, the NDP's preferred

instrument for development assistance, although still significant, have been in decline and will almost certainly decline further.

Development Partner Alignment

Development partners were not as closely involved in the preparation of the NDP as they were previously in the preparation of successive Poverty Eradication Action Plans (PEAPs). But all Uganda's main donors claim strong alignment with NDP priorities in both their strategy documents and through their programming.

These claims to some extent reflect the broad range of NDP objectives and importantly depend on the government's own sector strategic investment plans and the Joint Budget Support Framework aligning effectively behind the NDP. They are also in part weakened by persistent under-spending against commitments and the channelling of major resources "off budget" which are more difficult to manage in line with government priorities. Nonetheless it is clear that:

- During the NDP there has been a clear re-allocation of both "on budget" and "off budget" project aid in favour of infrastructure and energy investments in line with the NDP's aim to broaden Uganda's development strategy from poverty reduction to structural transformation to raise growth and living standards. Although health has been the largest single sector recipient of project aid during the NDP period (23 per cent) the share of infrastructure and energy together has risen from 21 per cent in the two years prior to the NDP to 29 per cent during its implementation.
- Although progress against many NDP objectives has been disappointing donor support has been associated with important aspects of the progress that has been made. Development assistance has continued to help underpin the implementation of a number of key sector strategic plans. The large multilateral donors in particular have set aside resources for some of the NDP's core projects. The Joint Budget Support Framework has helped emphasise the achievement of results. And a number of donor technical assistance programmes are building the capacity required for effective NDP implementation (e.g. through improved financial management, and monitoring and evaluation).

Harmonisation, transaction costs and mutual accountability

Without a Partnership Policy in place it has been difficult for the NDP to be a focus for progress on the wider agenda for improving aid effectiveness. Although donors still participate actively in sector working group and budget processes the quality of dialogue is under scrutiny and donor engagement appears less influential than in the past. Progress is slow in increasing the use of country public financial management and procurement systems as the reliability of these systems is questioned. A decline in the use of programme based approaches (including budget support) appears to have led to a fall in development partner use of common arrangements and procedures. Commitments to better co-ordination between donors through a more rational division of labour based on comparative advantage seem no longer important and progress that was made in rationalising individual donor engagement at sector level seems to have been reversed. Although the JBSF has provided a partial framework for mutual accountability, the quality of dialogue in the JBSF is portrayed as weak. Targets for development partner accountability have been difficult to agree. The joint memorandum of understanding that is meant to govern the JBSF has not been signed.

Development assistance from non-traditional partners

Support from non-traditional partners is growing in importance and likely to continue to grow further, but currently it still constitutes less than 10 per cent of all Uganda's support from donors. Much of the aid from non-traditional partners is provided as loans which have less concessionality than grant aid. Much of it is still tied. In the past non-traditional partners have also not fully engaged in the processes established for donor co-ordination and alignment with government priorities. At the same time, however, support from non-traditional sources has important advantages for the government over the assistance it receives from traditional partners. The provision of support for large infrastructure investments may be one particular area in which non-traditional partners have a comparative advantage. China in particular has demonstrated its willingness to set aside finance for key NDP investments.

7.2 Recommendations for the remainder of the first NDP

Going forward there are risks to the financing of the NDP if current difficulties in the relationship between donors and government persist. Traditional development partners are expected to stay engaged but might fragment in their approaches and could increasingly use off budget channels that may be more difficult to align with the NDP. Non-traditional development partners are an increasingly important source of finance but still provide a relatively small proportion of donor finance. In due course government revenue from the commercial exploitation of Uganda's oil resources could total around \$2 - \$3 billion per year during peak production. At the top of this range this is approximately double current levels of development assistance. But revenue from oil is not expected to start to flow until 2018 at the earliest and there are significant risks that production will be delayed beyond this point.

From the current starting point, ensuring that Uganda's development partnerships make a strong contribution to the achievement of NDP objectives going forward will require action by both government and donors.

A key initial step will be strong government leadership to reassess, review, update and finalise the draft Partnership Policy to provide a robust framework for the management of aid in support of NDP implementation. The draft needs revision, to take cognisance of changing aid architecture, both at the international and national levels. For instance, at the national level there are diverse views on the primacy of budget support (which appear to be increasingly shared by both government and development partners), but this should be possible without compromising the basic principles on which international agreements to enhance the impact of aid are based.²⁴ An agreed framework for the management of aid in Uganda will re-affirm both parties' commitment to these principles and reduce the risk they become peripheral and not at the centre of the relationship. The monitoring framework envisaged for the Partnership Policy will provide a basis for assessing each party's performance

²⁴ The current draft of the Partnership Policy highlights the principles of alignment, managing for results, accountability, value for money, transparency and predictability, reducing transaction costs, co-ordination and inclusivity.

Within the framework of a new partnership policy it is possible to identify a number of aspects of the relationship between government and donors that require immediate attention to improve the impact of aid. In particular:

- Government action to improve and secure the reliability of public financial management and procurement systems is essential to firmly address donor concerns about putting resources through government channels and to address the risk that off budget support (which is more difficult to align to the NDP) increases. Existing reform efforts need to be accelerated and expanded to quickly close gaps. The September 2012 Public Financial Management Performance Report (“PEFA”) highlights the key weaknesses that need to be addressed.
- In a context in which it seems inevitable that budget support in its current form is likely to continue to diminish, government and development partners need to work together to identify alternative aid modalities that both maintain the advantages of programme based approaches while including controls that effectively protect resources against fiduciary risks. There are joint donor funding arrangements that have been used in the past in a number of sectors that might be revived and adapted.
- Joint funding arrangements may be especially valuable for the funding of large transformational investments e.g. in transport and energy that will help both large and small donors invest in these areas and guard against the risk that project funding becomes fragmented and scattered. In the context of the NDP there is a strong case for development partners prioritising funding for infrastructure projects that have been well appraised and are ready for implementation.
- Within sector working group processes, government and development partners should work together to improve the alignment of sector strategic investment plans with NDP priorities. This should include the alignment of both “on budget” and “off budget” development assistance. The government should consider a firmer approach to managing aid that is not aligned with the NDP (which might involve its rejection). The government should be able to say “no” to assistance which does not support national priorities and which will not be reflected in the government budget. The government should attempt to bring maximum aid into its budget.
- Government and Uganda’s development partners also need to work together to engage non-traditional development partners more effectively in sector working

group processes to help co-ordinate their support within the NDP framework. There is scope for traditional and non-traditional patterns to work much more closely together than at present (perhaps in arrangements where grant finance is blended with loan finance).

- MoFEPD needs to accelerate the introduction of its new aid management system to help improve aid transparency and the government's ability to more effectively manage development assistance in support of its plans. Development partners in turn need to address concerns about their aid reporting and management, especially by providing more comprehensive and timely information, including about their "off budget" support, and by keeping this information up to date as plans change.
- Government should lead a new donor division of labour exercise that will address the apparent trend towards an inefficient spread of effort and resources. The NDP can help provide a framework for this exercise.²⁵
- Government should emphasise on linkage of all ODA to the NDP priorities. All the donor funded programmes must be linked to the NDP and no resources should be allowed in the country unless they are linked to the implementation of the NDP priorities. Government therefore should improve on project appraisal, selection and design and avoid supply driven interventions.
- Government, in collaboration with development partners, needs to consider the future of high level dialogue and the mutual accountability framework. The Paris Declaration commitment to mutual accountability highlights the importance of performance assessment and strong policy dialogue. The institutional structure established for government performance assessment in the Office of the Prime Minister should probably be reassessed with a view of developing a more robust framework for mutual accountability in the context of implementing the NDP, encompassing all development partners. The framework should bind both parties accountable to each other. Government as well as development partners should be sanctioned for poor performance and be incentivised for good performance.

²⁵ This will need to take account of government concern in some sectors that rationalisation of donor engagement will lead to a small number of development partner exerting too much influence.

- Create an institutional arrangement for the PIP to efficiently guide the direction of aid to finance the NDP. This should include a Development Committee to make key decisions.
- Ensure mandatory assessment of sector preparedness for project implementation before sanctioning a new project. The assessment may include among others readiness and comprehensiveness of project designs, arrangements for land acquisition / access in case of infrastructure projects, commitment to provide counterpart funding, readiness to meet disbursement triggers etc. This will go a long way to address the problem of under-spending against commitments. The low absorptive capacity by MDAs has undermined the contribution that development partners are making to the NDP.

7.3 Recommendations for the next NDP

Much of this agenda will continue to be relevant as the next NDP is designed and implemented. But there are three additional recommendations that are specifically relevant for the next NDP.

The first is that development partners should be more closely engaged in its preparation than they were in the preparation of the current plan. Closer consultation with donors will provide a basis for detailed discussions over government expectations about the way in which aid should be aligned behind NDP objectives including both the modalities for delivering aid and its sector focus. Development partners will have the opportunity to be clear about likely levels of aid as the next NDP is implemented and Uganda's case for aid begins to diminish. There will be scope to establish a greater shared understanding than exists in the context of the current NDP.

Second, as the next NDP is implemented it will be essential to look forward to the future of aid when oil production begins and revenue from oil becomes part of the government's financing framework. As that point is reached Uganda's case for aid will begin to change very quickly. The need for financial support will recede sharply (subject to the details of its plans for using oil revenue alongside other sources of finance to support its macro-economic and development objectives). But the case should still be strong for technical assistance that continues to support the design of

policies focused on growth and poverty reduction and which helps to build capacity and institutions required for implementation and transformation.

The third is that in order to help take forward its “Vision 2040” the Government should commence a dialogue with development partners on how they might support the longer term agenda which this document sets out including its plan of social transformation.

Annex 1. DISTRICT REPORTS

Gulu district, 28 - 29 May, 2013

This summarises meetings with a number of local government officials and a sample of development partners in Gulu district.

Overview of development partner support in Gulu

Gulu district is heavily supported by development partner funding. Gulu is the most populous town in Northern Uganda and the second most populous in the country. As such, many development partners, non-government organisations (NGOs) and agencies have programme offices permanently located in there.

At the time of the insurgency of the Lord's Resistance Army (LRA) there were large numbers of internally displaced people (IDPS) in Gulu district as the northern region as a whole became the focus of a major humanitarian response. Although humanitarian aid was largely delivered directly in IDP camps some of this support was channelled through district government structures. In the wake of the 2006 ceasefire IDPS slowly started to return home and the nature of external assistance started to change from emergency assistance to peace-building and socio-economic development. The Peace, Recovery and Development Plan (PRDP) was developed as a government framework for action and funding to consolidate peace and security, and to lay the ground for recovery and development in the North. The PRDP is now in a second phase that will run until 2015.

Programmes and scale of funding

The United States Agency for International Development (USAID), UN agencies (including UNICEF, UN Women, UNFPA and WHO), the World Bank, Japanese International Corporation Agency (JICA) and the African Development Bank are all actively visible development partners in the district contributing a combination of direct funding, off-budget support and resources through central government for district programmes. A number of other bilateral partners are less visible but delivering support through central funding of the PRDP. In addition there are a number of NGOs and implementing partners that have offices and programmes in

Gulu; these include VSO, CARE International, War Child Holland, Concern Worldwide, and World Vision.

The largest development partner in the region is USAID who give an estimated 15bn UGX (US\$5.7m) annually, all of which is channelled outside the district budget. Their support is primarily in water, roads, education and health. One of the major programmes in the district is Nudeil – the Northern Uganda Development of Enhanced local Government Infrastructure and Livelihood programme. This programme is jointly sponsored by USAID and central government and has seen the construction of 112 boreholes and 136 new classrooms in the district.

The United Nations Population Fund (UNFPA) 5-year programme of support to the district totals US\$13m. Their primary focus is on reproductive health, gender equality and gender-based violence prevention and education.

UNICEF's presence in Gulu district has transitioned from an emergency response unit to a development programme in the last 6-7 years. They have 3 areas of focus: keeping women and children alive (through Water, Sanitation and hygiene, HIV/AIDS, and malaria prevention); providing and promoting education (through safe schools, and curriculum development); ensuring justice for children (through the Orphan and Vulnerable Children protection, and birth registration programmes).

VSO in Gulu is working primarily in the area of secure livelihoods. They work with implementing partners to support national initiatives and post-conflict recovery and development in northern Uganda. They currently have 3 major projects: a Youth Development and Vocational Training programme funded by DFID (as part of the Northern Uganda Youth Development Centre); The Youth Employment and Local Governance project (funded by private philanthropists - Greg and Sue Dyke); and a Job Creation and Skills Training programme funded by the European Commission. The value of VSO programmes in the district increased from £1.2m in 2012 to £3.4m in 2013 and may increase further in the years ahead

Funding arrangements

Support for development programmes is administered in numerous ways which can be categorised as 'on-budget' – which includes direct support from central government, and funding from development partners to government for specific

activities and programmes - and 'off-budget' support which refers to donor funds which are channelled through NGOs or implementing organisations.

For example as discussed above USAID, Gulu's largest single donor disburses all of its support "off budget" outside government systems

UNICEF on the other hand contributes funding directly to local government. This is carefully managed through a rolling annual work plan that monitors progress against targets and objectives in the District Development Plan. UNFPA also give direct funding to Local Government, although this type of support is a fraction of their overall district spend – in 2012 they gave perhaps 300m UGX (US \$120,000) as direct district funding. The majority of UNFPA finance is implemented through partners and subcontractors and does not go directly through the government systems.

As another example VSO are currently channelling none of the finance they administer through local government and reported a definite move away from funding local government directly

Peace, Recovery and Development Plan (PRDP)

The Government launched the PRDP In 2007, after nearly twenty years of conflict in Northern Uganda. It was expected that the Government would contribute 30 per cent of PRDP funding while donor support would make up the remaining 70 per cent. The PRDP has been presented as a framework in which all new projects in the region should align.

Progress and challenges of the PRDP

In Gulu district officials reported substantial progress under the PRDP in building health facilities, boreholes, community access roads, classrooms and housing and sanitation facilities linked to schools and district health services.

The PRDP however has been greatly affected by the scandal involving the misappropriation of donor funding that was uncovered at the end of 2012. As a consequence a number of donors have frozen their PRDP financing (alongside budget support). Local Government officers in Gulu reported repeatedly during the

visit that programmes have been postponed or cancelled as a result. An atmosphere of mistrust now pervades among implementing partners, donors, and recipients.

Donor alignment and planning

It is very difficult to assess the contribution that donor funded programmes have made to wider NDP progress from local government monitoring and evaluation systems. If external funding is mixed in with government funds it is not possible to specifically apportion impact or results to the donors that have contributed. Where donors have implemented specific projects/programmes there is nothing at the local/district level that distinguishes the contribution that donors have made specifically to the sector. Only the overall progress of the sector is assessed.

Alignment to NDP objectives and progress

The issue of meeting the objectives of the MDGs came up on numerous occasions when talking to both district officials and development partners. From the point of view of local government there was a sense that meeting these targets and objectives was more important than meeting the NDP objectives because these are international targets that will impact on the amount of funds allocated in the next donor funding cycle. Development partners are particularly keen on measuring progress towards the MDGs because they continue to be the yardstick against which progress in reducing poverty is assessed.

However both UNFPA and UNICEF highlighted that their programmes are set in the context of the UN Development Assistance Framework for Uganda (UNDAF). The UNDAF is in turn directly linked with the NDP. UNICEF reported that UNICEF country managers and representatives from various Central Ministries conduct field visits twice annually to assess progress against objectives and alignment to the NDP.

One development partner discussed how they are disconnected from the process of assessing NDP progress because everything is managed at their head office in Kampala. They submit their quarterly progress report to the head office for it to be analysed and formatted centrally. They receive little feedback

Alignment of donor programmes with District Planning processes

On-budget support by development partners is aligned with the relevant sector plans and budgets and subject to the same district planning and results monitoring processes as government funded activities. There is a budget line in the district budget for donor contributions.

Both UNFPA and UNICEF reported that they share work plans and budgets with the local government offices and the sector heads in order to support the district planning process. In addition, the indicators on which UNICEF reports are supplied by the local government and align with the district development plan.

Strengthening GoU / DP relations to improve effective implementation of the NDP

Local government officials emphasised that donors should liaise with local government, not just central government, prior to setting up their programme in the district to ensure there is a suitable and relevant home for their work-plan. It was also suggested that local governments should provide an analysis of priority projects (that directly relates to the NDP) that they then send out to the donor communities. This would reduce duplication, ensure NDP objectives are being met, and help fill some of the gaping holes in district service delivery and development.

At district level it is also felt that poor coordination between local government and central government makes the relationship with development partners in the district harder. Progress reports between government offices are not shared and communication lines are poor. Co-ordination of donors on the ground might improve if districts were better informed of central government planning and had more control over their own budgets.

Local government officials believe there is scope for donors to adapt their processes to make it easier to work with local government. Donors come in with their own rules and conditions that are often too rigid, and unrealistic for the context on the ground. For example, a World Bank funded infrastructure project requires national registered engineers to support the work. There are very few registered engineers in Northern Uganda (they are all overseas or in Kampala) and so the district is unable to access this type of funding although they feel they have very good engineers that are not registered.

Numerous respondents stated that donors arrive with their own agenda and 5-year country plans that are created in discussions with the central government in Kampala and are not discussed with the district. They do not always address the gaps that are a reality at the district level, and certain areas receive considerably more funding than others e.g. health, water and education.

Development partner coordination and harmonisation

Development partner coordination with local government is managed through a series of regular meetings. There are quarterly sector meetings which are attended by all implementing partners, donors and relevant sector officials. At these meetings attendees discuss progress, challenges, and harmonisation issues. In addition there is an annual district budget conference where donors declare their budget and priorities for the coming year. In terms of harmonisation between donors there are a few examples of on-the-ground collaboration, such as VSO and UNICEF working together closely in the training of teachers, but generally the majority of donor coordination seems to happen in Kampala at a central level.

From the point of view of district officers Memoranda of Understandings are the main method of coordination and harmonisation; they lay out the roles, funds, commitments and obligations and the targets they are aiming to reach. They allow for easy mapping of donor support across sectors and projects.

Capacity of districts to absorb increased levels of development partner funding directly

District officials expressed confidence in their ability to absorb more external funding but they acknowledged that there was a ceiling that would be reached where they would begin to struggle to effectively administer donor support. It was noted that although Gulu receives a large amount of additional funding through the PRDP they are not allocated extra administrative resources to manage the utilisation of this finance (for example compared to districts which are not within the PRDP). Infrastructure and livelihoods were identified as areas where they had the capacity to administer more help.

Donor partners expressed concerns about district level capacity and district planning processes. In current circumstances they did not think that local government could manage additional funding.

Amolatar district, 30 - 31 May, 2013

This summarises meetings with a number of local government officials and a sample of development partners in Gulu district.

Overview of development partner support

Amolatar is a relatively new district, established in 2007. As in other districts a large part of donor funding is channelled through central government²⁶, especially support for activities that fall under the Peace Recovery and Development Programme (PRDP) for Northern Uganda. Amolatar has little support that is directly channelled into its budget by development partners. USAID provides the majority of off-budget development partner support through various implementing partners such as Plan Uganda, and SURE. Overall there is a very limited presence in the district of development partners and no donors, international NGOs, or implementing partners have offices there.

Funding arrangements

Direct development partner support to the Local Government budget

The district has a number of direct budget revenue streams from development partners but the amounts are relatively small. GIZ gave 54.7m UGX (US\$20,000) in direct funding in 2012 for PRDP projects. The Global Fund gives 5.5m UGX (US\$2,000) annually for water and sanitation projects.

Donor /Government partnership programmes

USAID provides significant off-budget support through implementing partners such as SURE (medicine management), and Plan Uganda (child rights). USAID also

²⁶ This includes sector budget support that for example is channelled by central government into service delivery at district level through conditional and unconditional grant. It also includes centrally channelled funding for PRDP projects.

supports programmes such as Nu-Hites - the Northern Uganda Health Integration to Enhance Services and the Community Agriculture Infrastructure Improvement Programme (CAIIP). Implementing partners are supposed to work alongside the district officials and planners to ensure the programmes have ownership and buy-in from the communities.

The Danish International Development Agency (DANIDA) has provided off budget resources that are integral to the development of community access and district roads, and infrastructure and maintenance in the district.

UNICEF had been giving extensive off-budget support (2bn UGX annually) to the district but withdrew in 2009 because it was felt that their impact was too small and their approach across the region was too scattered. This left a big financial gap for the district which has struggled to maintain the progress they had been making in the areas supported.

In addition to support for PRDP activities (see below) the district currently receives special programme grants from a few central government organisations that are in partnership with donors. For example, the district receives 12.7m UGX annually from the Ministry of Health and USAID under their Neglected Tropical Diseases (NTD) programme. The NTD focuses on drug administration, treatment, mapping and training in diseases such as onchocherciasis, lymphatic filariasis and schistosomiasis.

Peace, Recovery and Development Plan (PRDP)

The PRDP is a Government framework initiated in 2008 and covering 44 districts in Northern Uganda. The Government of Uganda contributes 30 per cent of the funds while donors contribute 70 per cent. PRDP projects are developed in line with the NDP objectives and are aligned to sector budgets and targets.

Progress and challenges of the PRDP

PRDP funding is fundamental to Amolatar's social and economic progress particularly in the construction and maintenance of core infrastructure such as roads, health facilities and schools. The progress of the PRDP is severely threatened by the

mismanagement of funds in the Office of the Prime Minister which has led to many international donors freezing support. Local Government officials are unsure on how they will manage without this funding support.

Donor alignment to planning processes

Memoranda of Understanding are the fundamental way of ensuring alignment of donor funding to district development planning processes. These should provide for implementing partners to submit their work plans to the Local Government in advance, so that they can work together to ensure they are feeding into the objectives and targets that are laid out in the district plan. Local Government officers will work to ensure that the district plan is consistent with National Development Plan objectives. Unfortunately processes do not always function in this way– see below.

Strengthening GoU / DP relations for improved implementation of the NDP

There have been on-going problems with implementing partners in the district. A number regularly by-pass local government arrangements and liaise directly with stakeholders, for example by paying cash to those who attend their meetings without agreeing this with local government officers. Some implementing partners will turn up in the district unannounced and start work with the community or building new facilities without first talking to the local government. Relationships with a number of implementing partners are strained.

There needs to be better communication between Local and Central Government, and with the implementing partners. The lines of communication and responsibility are not clear and are confused when there are different funding mechanisms and structures.

Development partner coordination and harmonisation

With the little funding that the district receives, they are particularly keen to ensure coordination between implementing partners especially to minimise duplication. Ideally local government should review work plans and have scope to advise one partner if they feel that there is significant overlap with the work of another. It is a concern that in the past where local government has requested that efforts are shifted to another area these requests have frequently been ignored.

The Local Government office in Amolatar hosts a variety of forums and review meetings for implementing partners to provide a platform for discussing plans and review progress, however these meetings are poorly attended and clearly not a priority for partners.

Capacity of districts to absorb increased levels of development partner funding

The district has the capacity to absorb more funding but only if the funding is secure and released on time. They have previously wasted time on procurement, and other preparations linked to funding that has been promised only for it not to materialise. Their resources are limited and need to be carefully managed, there is not enough slack in their resources to allow for time to be wasted in this way.

Annex 2. AID DATA TABLES

Table 1: Overall Development Assistance by Type (USD m)

Type	FY	FY	FY	
	2008/09	2009/10	2010/11	FY2011/12
	Actual	Actual	Actual	Actual
MTEF Project Support <i>(excluding security)</i>	432.95	534.59	444.95	662.37
Budget Support <i>(including HIPC)</i>	334.33	318.61	326.00	275.39
Non-MTEF Project Support	558.87	688.29	566.86	478.96
TOTAL ODA	1,326.15	1,541.49	1,337.81	1,416.72

Source: Ministry of Finance, Planning and Economic Development

Table 2: Overall Development Assistance by Type as a percentage of GDP

Type	FY	FY	FY	FY
	2008/09	2009/10	2010/11	2011/12
MTEF Project Support <i>(excluding security)</i>	2.3 per cent	3.5 per cent	2.4 per cent	3.2 per cent
Budget Support <i>(including HIPC)</i>	1.8 per cent	2.1 per cent	1.8 per cent	1.4 per cent
Non-MTEF Project Support	3.0 per cent	4.5 per cent	3.1 per cent	2.3 per cent
TOTAL ODA	7.1 per cent	10.1 per cent	7.3 per cent	6.9 per cent

Source: Ministry of Finance, Planning and Economic Development

Table 3 (a): Development Assistance by Type as a percentage of Total Expenditure

Type	FY	FY	FY	FY
	2008/09	2009/10	2010/11	2011/12
MTEF Project Support	22.5 per cent	16.6 per cent	9.7 per cent	15.3 per cent
Budget Support	17.4 per cent	9.9 per cent	7.1 per cent	6.4 per cent

Table 3 (b): Development Assistance by Type as a percentage of Total Development Expenditure

Type	FY 2008/09	FY 2009/10	FY 2010/11	FY 2011/12
MTEF Project Support	43.4 per cent	31.9 per cent	20.0 per cent	30.5 per cent
Budget Support	33.5 per cent	19.0 per cent	14.6 per cent	12.7 per cent

Source: Ministry of Finance, Planning and Economic Development

Table 4: A Comparison of Planned and Actual Budget Support by Type (USD m)

Type	FY 2008/09		FY 2009/10		FY 2010/11		FY 2011/12	
	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn
Loans	111.0	117.0	100.0	120.9	100.0	101.7	50.7	48.7
Grants <i>incl</i> <i>HIPC</i>	309.0	217.4	263.1	197.0	182.4	224.3	260.0	226.7
Grand Total	419.93	334.33	363.11	317.91	282.40	326.00	310.69	275.39

Source: Approved Estimates of Revenue and Expenditure (Recurrent and Development) FY 2008/09, FY 2009/10, FY 2010/11, FY 2011/12, Ministry of Finance, Planning and Economic Development

Table 5: A Comparison of Planned and Actual MTEF Project Aid by Sector (USD m)

SECTOR	FY 2008/09		FY 2009/10		FY 2010/11		FY 2011/12	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Accountability	78.5	30.0	52.5	27.6	39.7	33.7	46.4	26.1
Agriculture	39.9	51.2	45.8	21.0	35.5	33.9	57.1	13.0
Education	70.5	36.2	65.2	58.9	64.9	16.3	71.4	49.7
Energy And Minerals	128.7	35.0	152.0	123.0	116.2	108.1	87.6	77.6

Health	158.1	9.5	131.5	106.8	42.2	20.1	84.4	67.0
ICT	-	18.3	-	-	-	29.2	-	1.2
JLOS	8.8	-	6.7	16.1	2.9	2.1	0.6	2.3
Land, Housing & Urban Development	-	0.0	-	-	-	2.3	0.6	1.3
Judiciary	-	-	0.6	-	-	-	-	-
Public Admin	-	0.0	-	0.3	-	1.0	-	0.2
Public Sector Mgt	89.2	51.2	101.3	70.5	80.8	62.8	116.0	171.9
Security	-	-	-	-	52.5	62.8	56.3	75.7
Social Devt.	1.8	0.1	2.7	14.8	1.1	-	0.9	1.7
Tourism, Trade & Industry	2.7	8.9	3.3	1.0	3.5	1.5	2.4	0.6
Water & Environment	32.6	34.0	22.2	27.3	52.6	15.9	54.3	40.2
Works & Transport	216.8	158.4	156.7	67.4	155.3	118.0	190.2	209.7
Total MTEF Project	827.8	433.0	740.5	534.6	647.3	507.7	768.1	738.1

Source: Approved Budget Estimates and Expenditure (Recurrent and Development; and Annual Performance Reports, FY 2008/09, FY 2009/10, FY 2011/12, Ministry of Finance, Planning and Economic Development

Table 6: Percentage breakdown of Budget Support by Type

Budget Support	FYs 2008/09- 2009/10	FYs 2010/11- 2011/12	FYs 2008/09 - 2011/12
Loans	36.5 per cent	25.0 per cent	31.0 per cent
HIPC/Debt Relief	13.8 per cent	17.7 per cent	15.7 per cent
General Budget Support Grants	23.2 per cent	28.4 per cent	25.7 per cent
Sector Budget Support Grants	26.5 per cent	28.9 per cent	27.6 per cent

Source: Ministry of Finance, Planning and Economic Development

Table 7: MTEF project aid by sector - percentage expenditure

SECTOR	FYs 2008/09- 2009/10	FYs 2010/11- 2011/12	FYs 2008/09- 2011/12
	Actual	Actual	Actual
Works & Transport	23.3 per cent	29.6 per cent	26.7 per cent
Public Sector Mgt	12.6 per cent	21.2 per cent	17.2 per cent
Energy and Minerals	16.3 per cent	16.8 per cent	16.6 per cent
Health	12.0 per cent	7.9 per cent	9.8 per cent
Education	9.8 per cent	6.0 per cent	7.8 per cent
Agriculture	7.5 per cent	4.2 per cent	5.7 per cent
Accountability	6.0 per cent	5.4 per cent	5.7 per cent
Water & Environment	6.3 per cent	5.1 per cent	5.7 per cent
ICT	1.9 per cent	2.7 per cent	2.3 per cent
JLOS	1.7 per cent	0.4 per cent	1.0 per cent
Social Devt.	1.5 per cent	0.2 per cent	0.8 per cent
Tourism, Trade & Industry	1.0 per cent	0.2 per cent	0.6 per cent
Land, Housing & Urban Devt.	0.0 per cent	0.3 per cent	0.2 per cent
Public Admin	0.0 per cent	0.1 per cent	0.1 per cent
Judiciary	0.0 per cent	0.0 per cent	0.0 per cent

Source: Ministry of Finance, Planning and Economic Development

Table 8: Percentage Expenditure of Non-MTEF project aid by sector

SECTOR	FYs 2008/09-2009/10	FYs 2010/11-2011/12	FYs 2008/09-2011/12
Health	46.2 per cent	38.1 per cent	42.5 per cent
Agriculture	4.6 per cent	10.9 per cent	7.5 per cent
Social Development	2.2 per cent	12.0 per cent	6.7 per cent
Public Sector Management	7.5 per cent	5.7 per cent	6.7 per cent
Energy & Minerals	3.9 per cent	6.1 per cent	4.9 per cent
Accountability	4.7 per cent	3.6 per cent	4.2 per cent
Water& sanitation	3.0 per cent	4.8 per cent	3.8 per cent
Education	3.6 per cent	4.0 per cent	3.8 per cent
Justice Law and Order incl. Governance	1.8 per cent	4.2 per cent	2.9 per cent
Roads, Works & Transport	1.5 per cent	3.3 per cent	2.3 per cent
Security	0.9 per cent	0.6 per cent	0.7 per cent
Trade and Tourism	0.3 per cent	0.7 per cent	0.5 per cent
Public Administration	0.8 per cent	0.0 per cent	0.4 per cent
Humanitarian	8.1 per cent	2.5 per cent	5.5 per cent
Support that could not be aligned to MTEF sectors	11.0 per cent	3.3 per cent	7.5 per cent

Source: Ministry of Finance, Planning and Economic Development; *Development partners' Annual submission, May, 2009, 2010, 2011, 2012, and February 2013*

Notes: Support that could not be aligned go Government MTEF sectors includes primarily support for private sector development (including financial sector deepening).

Table 9: Percentage Allocation of All Project Aid (MTEF & Non-MTEF) by sector

SECTOR	FYs 2008/09- 2009/10	FYs 2010/11- 2011/12	FYs 2008/09- 2011/12
Health	31.4 per cent	22.6 per cent	27.1 per cent
Works & Transport	11.1 per cent	16.9 per cent	13.9 per cent
Public Sector Mgt.	9.8 per cent	13.7 per cent	11.7 per cent
Energy and Minerals	9.4 per cent	11.6 per cent	10.5 per cent
Agriculture	5.9 per cent	7.5 per cent	6.7 per cent
Education	6.4 per cent	5.0 per cent	5.7 per cent
Accountability	5.3 per cent	4.5 per cent	4.9 per cent
Water & Environment	4.5 per cent	4.9 per cent	4.7 per cent
Social Development	1.9 per cent	5.9 per cent	3.9 per cent
JLOS	1.8 per cent	2.3 per cent	2.0 per cent
ICT	0.8 per cent	1.4 per cent	1.1 per cent
Tourism, Trade & Industry	0.6 per cent	0.4 per cent	0.5 per cent
Public Admin	0.5 per cent	0.1 per cent	0.3 per cent
Land, Housing & Urban Devt.	0.0 per cent	0.2 per cent	0.1 per cent
Judiciary	0.0 per cent	0.0 per cent	0.0 per cent
Humanitarian	4.6 per cent	1.2 per cent	2.9 per cent
Support that cannot be aligned MTEF sectors	6.3 per cent	1.6 per cent	3.9 per cent

Source: Ministry of Finance, Planning and Economic Development;
*Development partners' Annual submission, May, 2009, 2010, 2011, 2012,
and February 2013*

Notes: Support that cannot be aligned to MTEF sectors in particular includes assistance for private sector development (including financial sector deepening).

Table 10: Total Aid by Donor (Budget Support + MTEF and NON-MTEF Project)

DONOR / CREDITOR	FY 2008/09 Actual (US \$)	FY 2009/10 Actual (US \$)	FY 2010/11 Actual (US \$)	FY 2011/12 Actual (US \$)
ACBF	0.10	1.08	1.08	0.36
ADF	105.72	194.75	125.28	170.63
Austria	8.31	11.43	12.73	10.66
BADEA	2.03	-	-	-
Belgium	9.31	20.84	19.96	6.59
China	31.45	14.61	41.48	103.80
Denmark	27.02	42.30	30.29	32.94
Egypt	-	-	0.02	0.02
EU	189.41	110.83	168.47	108.94
France	1.03	1.22	-	-
GEF	3.61	0.10	1.01	1.62
Germany	23.60	26.49	31.42	32.46
Global Fund	1.68	98.06	4.39	42.58
IBRD	0.49	0.06	0.45	-
Iceland	-	3.08	2.10	0.06
IDA	257.59	337.19	254.71	267.81
IDB	-	-	0.09	1.09
IFAD	13.77	19.19	25.35	11.82
Ireland	37.93	56.75	39.77	49.98
Italy	255.04	0.07	-	-
Japan	7.16	28.10	4.74	2.87
S. Korea	-	-	-	1.40
NDF	1.59	4.67	5.02	4.53
Netherlands	22.90	32.23	32.70	-
Norway	28.92	41.83	44.40	104.05
OPEC	-	-	0.04	0.21
Spain	-	-	-	7.55
Sweden	37.11	33.73	16.68	27.22
UK	66.69	103.96	97.75	74.92
UNAIDS	-	0.08	-	-
UNDP	-	5.32	17.89	13.95

UNFPA	-	13.42	1.92	4.25
UNICEF	-	-	41.60	27.72
USA	149.73	209.70	213.38	247.95
WFP	-	83.95	55.00	-
TOTAL	1,282.19	1,495.05	1,289.72	1,358.00
HIPC	43.96	45.87	47.93	58.72
Grand TOTAL	1,326.15	1,540.92	1,337.66	1,416.72

Source: Ministry of Finance, Planning and Economic Development

Table 11: Top Ten Donors - Percentage allocation of Total Aid by Donor (Budget Support + MTEF and Non-MTEF Project)

DONOR / CREDITOR	FYs 2008/09-2009/10 Actual	FYs 2010/11-2011/12 Actual	FYs 2008/09 - 2011/12
IDA	20.75 per cent	18.97 per cent	19.88 per cent
USA	12.54 per cent	16.75 per cent	14.60 per cent
ADF	10.48 per cent	10.74 per cent	10.61 per cent
EU	10.47 per cent	10.07 per cent	10.28 per cent
UK	5.95 per cent	6.27 per cent	6.11 per cent
Italy	8.90 per cent	0.00 per cent	4.54 per cent
Norway	2.47 per cent	5.39 per cent	3.90 per cent
China	1.61 per cent	5.27 per cent	3.40 per cent
Ireland	3.30 per cent	3.26 per cent	3.28 per cent
Global Fund	3.48 per cent	1.71 per cent	2.61 per cent
Others	16.93 per cent	17.70 per cent	17.30 per cent
HIPC	3.13 per cent	3.87 per cent	3.50 per cent

Source: Ministry of Finance, Planning and Economic Development

Table 12: Percentage Allocation of Budget Support by Donor

Donor	FYs 2008/09- 2009/10	FYs 2010/11- 2011/12	FYs 2008/09 - 2011/12
World Bank	34.7 per cent	24.8 per cent	29.9 per cent
UK	15.2 per cent	13.8 per cent	14.5 per cent
EU	8.3 per cent	14.6 per cent	11.3 per cent
Ireland	7.8 per cent	6.6 per cent	7.2 per cent
Norway	4.1 per cent	4.3 per cent	4.2 per cent
Denmark	3.4 per cent	3.9 per cent	3.7 per cent
Sweden	4.5 per cent	2.1 per cent	3.3 per cent
Austria	1.5 per cent	3.1 per cent	2.3 per cent
Netherlands	0.0 per cent	4.3 per cent	2.1 per cent
AfDB	3.0 per cent	0.0 per cent	1.6 per cent
Germany	0.7 per cent	2.3 per cent	1.5 per cent
IFAD	1.8 per cent	0.2 per cent	1.0 per cent
Belgium	0.9 per cent	0.9 per cent	0.9 per cent
Spain	0.0 per cent	1.3 per cent	0.6 per cent
France	0.3 per cent	0.0 per cent	0.2 per cent
HIPC	13.8 per cent	17.7 per cent	15.7 per cent

Source: Ministry of Finance, Planning and Economic Development

Table 13: Top Ten Donors - Percentage allocation of MTEF Project Support by Donor

DONOR / CREDITOR	FYs 2008/09-2009/10	FYs 2010/11-2011/12	FYs 2008/09 - 2011/12
IDA	38.1 per cent	33.7 per cent	35.7 per cent
ADF	19.0 per cent	24.8 per cent	22.1 per cent
EU	8.9 per cent	9.9 per cent	9.5 per cent
China	4.8 per cent	13.1 per cent	9.2 per cent
Global Fund	10.3 per cent	4.2 per cent	7.1 per cent
Norway	1.1 per cent	5.5 per cent	3.4 per cent
IFAD	2.2 per cent	3.3 per cent	2.8 per cent
Netherlands	4.9 per cent	0.6 per cent	2.6 per cent
Japan	3.6 per cent	0.6 per cent	2.0 per cent
Sweden	2.0 per cent	0.2 per cent	1.1 per cent
Others	5.1 per cent	4.7 per cent	4.9 per cent

Source: Ministry of Finance, Planning and Economic Development

Table 14: Top Ten Donors - Percentage allocation of NON-MTEF Project Support by Donor

Donor	FYs 2008/09-2009/10	FYs 2010/11-2011/12	FYs 2008/09 - 2011/12
USA	28.87 per cent	44.13 per cent	35.83 per cent
Italy	20.45 per cent	0.00 per cent	11.12 per cent
EU	12.81 per cent	7.59 per cent	10.43 per cent
UK	4.92 per cent	7.67 per cent	6.17 per cent
WFP	6.73 per cent	5.26 per cent	6.06 per cent
ADF	7.76 per cent	2.08 per cent	5.17 per cent
Norway	2.67 per cent	5.87 per cent	4.13 per cent
Germany	3.65 per cent	4.52 per cent	4.05 per cent
DANIDA	3.26 per cent	3.54 per cent	3.39 per cent
UNICEF	0.00 per cent	6.63 per cent	3.02 per cent
OTHERS	8.89 per cent	12.71 per cent	10.63 per cent

Source: Ministry of Finance, Planning and Economic Development

Table 15: Development Assistance by Donor for the period 2008 - 2011 (USD m)

Category	Donor	2008	2009	2010	2011
DAC Countries, Total	Total	1,627.57	1,761.80	1,717.68	1,590.25
		1,003.29	1,009.91	1,042.84	1,008.38
DAC Countries, Total	Australia	1.08	1.79	2.52	10.89
	Austria	15.75	12.66	14.38	14.59
	Belgium	17.03	22.16	29.22	14.93
	Canada	16.25	16.85	5.75	6.45
	Denmark	57.14	77.69	81.22	68.79
	Finland	5.61	4.57	5.85	4.89
	France	21.05	17.19	4.06	3.46
	Germany	37.84	60.06	41.08	62.39
	Greece	0.27	0.22	0.19	0.20
	Iceland	..	..	..	3.32
	Ireland	76.99	63.19	57.71	59.30
	Italy	12.40	8.95	11.40	13.01
	Japan	57.01	54.05	71.24	57.12
	Korea	0.68	1.24	1.88	2.41

	Luxembourg	1.62	1.04	0.27	0.79
	Netherlands	82.85	45.01	36.65	14.86
	New Zealand	0.16	0.20	..	..
	Norway	74.98	67.32	71.45	80.97
	Spain	38.15	13.96	5.43	2.99
	Sweden	64.07	52.65	43.29	41.41
	Switzerland	3.76	3.34	1.01	1.40
	United Kingdom	65.75	118.90	180.12	146.22
	United States	352.88	366.87	378.13	397.96
Multilateral, Total		624.29	751.77	674.65	579.51
Multilateral	AfDB	0.73	0.68	..	..
	AfDF	111.68	111.21	101.55	140.09
	BADEA	..	..	..	0.03
	EU Institutions	258.89	128.04	128.94	169.68
	GAVI	17.32	8.28	7.96	12.54
	Global Fund	7.24	46.92	57.21	26.02
	IBRD	1.36	1.26	0.94	1.12

	IDA	180.70	396.34	328.63	177.99
	Nordic Dev.Fund	..	3.98	7.94	5.35
	OFID	..	..	..	0.21
	UNAIDS	0.65	1.02	1.02	1.00
	UNDP	12.92	12.34	5.79	4.67
	UNFPA	6.45	7.23	6.83	6.22
	UNICEF	22.48	22.17	20.18	23.29
	UNPBF	..	..	0.61	6.83
	WFP	3.88	12.29	7.06	3.20
	WHO	..	..	..	1.29
Non-DAC Countries, Total		..	0.13	0.19	2.35
Non-DAC Countries	Czech Republic	..	..	..	0.02
	Kuwait (KFAED)	..	..	..	2.04
	United Arab Emirates	..	0.13	0.19	0.30

Source: OECD WEBSITE

Table 16: Percentage Development Assistance by Donor

DONOR	2008 - 2009	2010 - 2011	2008 - 2011
United States	21.2 per cent	23.5 per cent	22.3 per cent
IDA	17.0 per cent	15.3 per cent	16.2 per cent
EU Institutions	11.4 per cent	9.0 per cent	10.2 per cent
United Kingdom	5.4 per cent	9.9 per cent	7.6 per cent
AfDF	6.6 per cent	7.3 per cent	6.9 per cent
Norway	4.2 per cent	4.6 per cent	4.4 per cent
Denmark	4.0 per cent	4.5 per cent	4.3 per cent
Ireland	4.1 per cent	3.5 per cent	3.8 per cent
Japan	3.3 per cent	3.9 per cent	3.6 per cent
Sweden	3.4 per cent	2.6 per cent	3.0 per cent
OTHERS	19.3 per cent	15.9 per cent	17.6 per cent

Source: OECD WEBSITE

Annex 3. Uganda's Joint Budget Support Framework

Goal

The stated objective of the JBSF, which has been in place since 2007/2008, is to reduce poverty in Uganda through support to the implementation of the Government's poverty eradication policies within the framework of the NDP.²⁷

The JBSF building blocks

The basic building blocks of the JBSF have been:

- A joint assessment framework (JAF) of agreed actions and indicators which together with a set of underlying principles and preconditions, provide the basis for decisions about performance and budget support disbursements;
- An institutional structure in which these decisions can be made which draws on the government's own established structures for setting policy and budgets, and monitoring performance; and
- A timetable (intended to be focused on the provision of predictable budget finance) in which decisions about performance in year N-1 are made in year N and are the basis for budget support commitments in year N+1.

The performance framework

The underlying principles of budget support are a set of shared commitments that are viewed as fundamental to the development partnership. They comprise: the commitment to peace and stability in Uganda and the region; the commitment to democracy; the commitment to human rights; and the commitment to rule of law and access to justice.

The preconditions for budget support capture the government's commitment to an overall policy framework in which resources are managed effectively and efficiently

²⁷ This goal is included in the JBSF Memorandum of Understanding which has been drafted, although not signed.

to achieve agreed objectives. These have been focused on: the implementation of sound macro- economic policies; the government's commitment to economic growth and poverty alleviation; and the implementation of policies that will strengthen public financial management including procurement systems and the fight against corruption.

The specific indicators and actions in the JAF have been focused on a set of results which are viewed as crucial to Uganda's social, economic and political governance. These are aligned as closely as possible to the content of the government's own performance monitoring system. Joint assessment frameworks this far have focused on specific sector targets and actions in health, education and transport alongside cross cutting indicators and actions covering areas such as funding of service delivery, budget credibility, audit, procurement, domestic revenue generation and the performance of public servants.

The institutional structure

The JBSF has aimed to use existing government structures for dialogue and consultation. These structures include:

- the cabinet level policy co-ordination committee (PCC) where designated meetings have been joined by high level development partner representatives;
- the permanent secretary level implementation co-ordination steering committee (ICSC) where designated meetings have been joined by senior development partner representatives to facilitate policy level decisions under the JBSF;
- the inter- ministerial technical implementation co-ordination committee which supports the ICSC and where development partners participate to facilitate budget support monitoring and implementation;
- joint sector working groups which support the process of monitoring performance at sector level as well as identifying annual sector joint assessment framework targets.

In addition the JBSF has used the Government's Annual Performance Report (GAPR) as well as other key documents for setting and monitoring targets, especially annual ministerial policy statements, to provide the principal inputs for the design and review of successive JAFs.

The timetable

The JBSF timetable is focused on the aligning appraisal, consultation, decisions, and disbursements with the budget cycle. The important milestones have been:

- The production of the GAPR for the preceding financial year (November/December) in a process in which at a working level development partners' participate;
- Submission of Development Partners' response to this in form of an annual JAF appraisal for the preceding year (December/January);
- A high level meeting of the PCC and JBSF donor heads of mission to discuss this JAF appraisal (December/ January);
- The annual budget workshop at which based on the JAF appraisal for the preceding year development partners are expected to confirm their budget support commitments for the following year (March/April);
- Finalisation of the JAF matrix for the following year and endorsement at a joint meeting of the ICSC and JBSF donor heads of mission (May/June).

Issues

In many respects the JBSF has worked as intended to align donor budget support behind first, the objectives of the NDP as reflected in sector strategic investment plans and ministerial policy statements; second the government's own systems and institutions for monitoring performance; and the third the budget cycle.

The JBSF performance framework however has been criticised for the layers of conditionality represented in the underlying principles, the budget support preconditions, and the JAF matrix. Concerns have also been raised about the multiple actions and indicators contained in the JAF matrix itself which arguably undermine efforts to focus on central policy priorities and makes overall performance assessments difficult.

At the same time the JBSF has been implemented in an increasingly fragile context as the relationship between government and donors has become progressively more difficult as a consequence of:

- Development partner concerns about events surrounding the 2011 election and large unbudgeted defence expenditures later the same year.
- Development partner questions about results and performance, focused on a set of problems that have been regularly discussed in policy dialogue, but on which little progress has been made. These issues include unease about budget planning and implementation as a result of: budgets not reflecting the allocations proposed for priority areas in the NDP; the significant underfunding of front line service delivery and infrastructure maintenance; and persistent supplementary budgets that favour public administration (including State House). They also include perpetual concern about the government's revenue performance.
- A major fraud that was revealed by the Auditor General at the end of 2012 involving the misappropriation of 14 million Euros of aid financing from Denmark, Ireland, Norway and Sweden and a further £1.3 million from DFID. The resources had been set aside for the peace recovery and development programme (PRDP) in Northern Uganda. Government employees working principally in OPM, but also in MoFEPD and the Bank of Uganda, are under investigation.

These problems have made it difficult for development partners to maintain their commitment to the provision of predictable resources and the formula in which performance in year N-1 determines budget support disbursements in year N+1. In practice policy concerns have led to disbursement delays and adjustments in year as development partners have highlighted the continuous process for assessing the underlying principles and budget support pre-conditions. The government has claimed that these delays and adjustments have not always been clearly communicated.

The OPM fraud led to JBSF processes being effectively suspended at the end of 2012. All budget support donors including the World Bank formally announced to the government that their budget support was frozen. At the time of preparing this draft report the first step in the decision to lift this freeze is linked to a high level action matrix that requires the government to return misappropriated funds, to take administrative and legal action against those involved in the fraud, and to strengthen financial systems to close loopholes. Subsequently disbursement decisions will

depend on the assessment of the underlying principles, budget support preconditions and the 2011/12 JAF that was finalised in the middle of 2011. There are clear indications that a number of donors are unlikely to release the funds they have held back. All budget support donors are currently considering whether they will continue to use this instrument going forward

Annex 4. Donor division of labour

Table 17: Donor engagement by Sector (2008)

Sectors and subsectors	AfDB	IMF	World Bank	EC	Austria	Belgium	Denmark	France	Germany	Iceland	Ireland	Italy	Japan	Netherlands	Norway	Sweden	UK	USA	UNAIDS	UNDP	UNEP	UN-FAO	UNFPA	UNHCR	UNICEF	UN-IDO	UN-IFAD	UNIFEM	UN-OHCHR	UN WHO	World Food Programme	Active DPs in FY2008/09 ¹		
1. Security																		x		x									x			3		
2. Roads and Transport	x		x	x										x																		x	5	
3. Agriculture	x		x	x			x				x		x	x			x	x				x				x	x				x	13		
4. Education	x		x									x	x	x	x		x							x		x				x	x	11		
5. Health	x		x				x							x			x	x			x		x	x		x	x			x	x	x	14	
6. Water and Environment																																	0	
6.1 Water and sanitation								x	x					x					x					x			x						6	
6.2 Environment/Climate change			x					x											x									x					4	
7. Justice, Law and Order				x	x			x					x			x	x								x		x				x		10	
8. Accountability				x													x	x	x											x			5	
8.1 Public Financial Management ³			x										x		x																		4	
8.2 Anti Corruption ³								x					x																				2	
9. Tourism, Trade and Industry				x																													8	
10. ICT				x										x																			3	
11. Energy and Mineral Development	x			x																													4	
12. Lands and Housing				x																													3	
13. Social Development				x																													11	
14. General Public Administration																																	1	
15. Public Sector Management																																	0	
15.1 Decentralisation				x				x					x	x																			6	
15.2 Public Service Reform	x			x				x																									4	
16. Parliament					x																													5
Cross cutting issues																																		
5.CC HIV/AIDS				x				x			x		x																					14
13.CC Gender				x																														10
DP active in sectors in FY2008/09 ¹	6	1	15	4	1	1	8	1	1	1	4	7	5	7	2	5	7	8	8	0	9	0	4	7	1	7	6	3	1	8	3	6		

Table 18: Donor engagement by Sector (2012)

Sectors and subsectors	AfDB	World Bank	IMF	EC	Austria	Belgium	Canada	Denmark	France	Germany	Iceland	Ireland	Italy	Japan	South Korea	Netherlands	Norway	Spain	Sweden	UK	USA	UNAIDS	UNDP	UNCDF	UN-FAO	UNFPA	UNHCR	UNICEF	UN-IDO	UN-IFAD	UNWOMEN	UN-OHCHR	UN-WHO	International Organization for Atomic Energy Programme	World Food Programme	Active DPs in FY2011/12		
1. Security																					x	x										x		x		4		
2. Roads and Transport	x			x	x				x						x						x			x											x	x	9	
3. Agriculture	x			x	x				x		x	x			x	x	x				x	x	x	x	x							x	x	x	x	19		
4. Education	x			x	x		x					x			x	x						x				x	x	x				x	x			x	14	
5. Health	x			x	x		x							x	x				x	x	x					x	x	x					x	x		x	15	
6. Water and Environment	x			x							x													x												5		
6.1 Water and sanitation	x			x		x			x	x					x							x													x		9	
6.2 Environment/Climate change				x					x			x	x		x			x				x	x		x									x		x	11	
7. Justice, Law and Order					x				x		x	x					x						x			x	x	x				x	x			x	13	
8. Accountability					x					x	x										x	x		x			x	x				x	x				11	
8.1 Public Financial Management			x	x					x		x	x									x												x	x			9	
8.2 Anti Corruption				x	x				x				x								x																5	
9. Tourism, Trade and Industry				x	x							x	x		x							x	x	x												x	12	
10. ICT																								x	x								x	x			4	
11. Energy and Mineral Development	x			x						x	x		x		x									x											x		10	
12. Lands and Housing																																					x	2
13. Social Development	x			x								x	x									x	x				x	x	x								x	13
14. General Public Administration				x																		x															3	
15. Public Sector Management				x							x													x	x												4	
15.1 Decentralisation				x					x			x												x												x	7	
15.2 Public Service Reform				x								x																									2	
16. Parliament					x																	x	x														x	8
Cross cutting issues																																						
5.CC HIV/AIDS				x					x			x										x	x	x		x	x	x	x							x	x	14
13.CC Gender				x	x				x			x										x	x		x	x	x	x									x	16
DP active in sectors in FY2011/12	8		1	18	9	2	2		10	3	7	5	11	1	8	3	2	6		4	11	13		12	8	4	8	10	10	3	3	9	9	7	6		6	