A Critical Assessment of Aid Management & Donor Harmonisation

The Case of Uganda
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About AFRODAD

AFRODAD Vision
AFRODAD aspires for an equitable and sustainable development process leading to a prosperous Africa.

AFRODAD Mission
To secure policies that will redress the African debt crisis based on a human rights value system.

AFRODAD Objectives include the following:
1. To enhance efficient and effective management and use of resources by African governments;
2. To secure a paradigm shift in the international socio-economic and political world order to a development process that addresses the needs and aspirations of the majority of the people in the world.
3. To facilitate dialogue between civil society and governments on issues related to Debt and development in Africa and elsewhere.

From the vision and the mission statements and from our objectives, it is clear that the Debt crisis, apart from being a political, economic and structural issue, has an intrinsic link to human rights. This forms the guiding philosophy for our work on Debt and the need to have African external debts cancelled for poverty eradication and attainment of social and economic justice. Furthermore, the principle of equity must of necessity apply and in this regard, responsibility of creditors and debtors in the debt crisis should be acknowledged and assumed by the parties. When this is not done, it is a reflection of failure of governance mechanisms at the global level that protect the interests of the weaker nations. The Transparent Arbitration mechanism proposed by AFRODAD as one way of dealing with the debt crisis finds a fundamental basis in this respect.

AFRODAD aspires for an African and global society that is just (equal access to and fair distribution of resources), respects human rights and promotes popular participation as a fundamental right of citizens (Arusha Declaration of 1980). In this light, African society should have the space in the global development arena to generate its own solutions, uphold good values that ensure that its development process is owned and driven by its people and not dominated by markets/profits and international financial institutions.

AFRODAD is governed by a Board of seven people from the five regions of Africa, namely East, Central, West, Southern and the North. The Board meets twice a year. The Secretariat, based in Harare, Zimbabwe, has a staff compliment of Seven programme and five support staff.
Preface

Although donors argue that they have changed their approach and that conditionality has been replaced by 'country ownership', poverty reduction and pro-poor growth strategies, experience on the ground seems to suggest otherwise. Lack of harmonization and alignment of policies, procedures and programs among various donors’ agencies continue to mar effective aid delivery to recipient governments who in turn have been eluded by the key concepts of inclusiveness, popular participation and "good governance".

Problems of economic governance and ineffective utilization of development assistance have ranged from poor or no consultation with the intended beneficiaries; lack of coordination between various government agencies, the failure to harmonize policies, programs and procedures harmonization and alignment, poor project design within parastatals, public or private enterprises; to poor monitoring of foreign funded projects and consequently in indebtedness and poverty.

This international agenda has evolved over time, and hopefully will continue to evolve. Its principal manifestation at this time is the Paris Declaration of March 2005. The Paris Declaration on Aid Effectiveness represents a landmark achievement for the international community, which brings together a number of key principles and commitments in a coherent way. It includes a framework for mutual accountability, and identifies a number of indicators for tracking progress on the part of donors and partner countries. At the same time, there is a general recognition that the Paris Declaration is a crucial component of a larger aid effectiveness agenda that could engage civil society actors in a more direct manner. The power of the Paris Declaration is its focus on a limited number of general principles for action. As such, the Paris Declaration is not intended to provide operational instructions for how to achieve specific development results. The Paris Declaration is therefore limited in terms of the stated purpose of aid effectiveness in that it does not, and cannot, by itself, tell us how to reduce poverty, improve democratic governance, or promote greater gender equality.

As development actors, CSOs share an interest in the concept of aid effectiveness as an important one for keeping development efforts on-track, for drawing attention to outcome and impact level results, and for drawing lessons of good practice from accumulated experience. The shared pursuit of aid effectiveness provides a legitimate entry point for dialogue among all development cooperation actors, including CSOs. This case study by AFRODAD is but one of the civil society contributions to monitoring and tracking Aid effectiveness in Sub-Saharan Africa, which by and large constitutes the bulk of aid beneficiaries. We do hope that the thoughts and ideas shared by this case study will help enlighten issues and move the continent and its development partners step a head.

Charles Mutasa
Executive Director, AFRODAD
Acknowledgements

AFRODAD’s work on this subject matter would not have been possible without the input and assistance of many individuals and organizations. We are deeply grateful to all those listed here.

We owe a great debt of gratitude to Daima Associates for investing considerable time and effort in the research process of this report. The authors are indebted to various institutions and individuals who made invaluable contributions in terms of their key insights, opinion and data. We are particularly grateful to the Ministry of Finance and donor agencies that provided the main body of data necessary for the assessment made in this report. Nonetheless the views expressed in this report are those of the authors. We also remain indebted to Dr Nancy Dubosse, our Programme Director for Research and Policy Analysis, for the final edit and proof-reading of this report.

The central financial and technical support of Diakonia was invaluable to the project. We are also indebted to our colleagues Mandla Hadebe and Taurai Chiraerae for the time and effort they put in making this study and publication a reality. Last but not least many thanks to many of our colleagues whom we cannot all name but whose input into the national research validation workshop remain vital to this output.
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<tr>
<td>APIR</td>
<td>Annual PEAP Implementation Review</td>
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<td>CSOs</td>
<td>Civil Society Organizations</td>
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<td>FENU</td>
<td>Forum for Education NGOs in Uganda</td>
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<td>GBS</td>
<td>General Budget Support</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GNP</td>
<td>Gross National Product</td>
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<td>GoU</td>
<td>Gov't of Uganda</td>
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<td>FINMAP</td>
<td>Financial Management and Accountability Programme</td>
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<td>IFMS</td>
<td>Integrated Financial Management System</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>IPPS</td>
<td>Integrated Personnel and Payroll</td>
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<tr>
<td>MDALG</td>
<td>Ministry, Department, Agency &amp; Local Government</td>
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<td>MDGs</td>
<td>Millennium Development Goals</td>
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<td>MoFPED</td>
<td>Ministry of Finance, Planning and Economic Development</td>
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<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
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<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
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<tr>
<td>PD</td>
<td>Paris Declaration</td>
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<tr>
<td>PEAP</td>
<td>Poverty Eradication Action Plan</td>
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<td>PEMCOM</td>
<td>Public Expenditure Management Committee</td>
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EXECUTIVE SUMMARY

Given that though Uganda has received massive donor aid and implemented donor-engineered policies, poverty remains a jigger to the flesh of Uganda’s development. The study aims at examining donor-partner mechanisms and ascertaining the progress thus far achieved in the context of the Paris Declaration on Aid Effectiveness (2005). The study further looks at those issues or challenges facing the Government of Uganda (GoU) in the delivery, harmonization, alignment, coordination, mutual accountability and management of aid under the General Budget Support (GBS), Sectoral Budget Support (SBS), project support and pool fund arrangements. Recommendations are formulated for the attention of Uganda’s public institutions, donor agencies and other key stakeholders to put in place enhanced delivery mechanisms for rationalized aid harmonization and effectiveness and to contribute to fostering national development.

Main Findings from the Country Case

- Through the study it was established that the Government of Uganda (GoU) prefers general budget support (GBS) over any other aid modality. While donors supported the move towards the GBS, their behaviour on ground seemed to be different.
- Clearly, even when donor promises that are aligned to the Paris Declaration on Aid effectiveness and harmonization have been made, the practice, mood and mode of funding were still inclined to project aid support. This was attributed to the lingering inefficiency of government planning, budget and procurement systems that often perpetuated corruption and related weaknesses.
- There were cases of donor harmonisation an alignment where, for example, Germany was leading the development of a training initiative on conflict, where Norway, Sweden and the European Delegation in Uganda were to participate, within the PEAP priorities. Further donor commitments and clarifications on expertise and sector lead roles, however, were coming in the course of 2007 during a) discussions on streamlining Sector Working Groups alongside aid allocations and national budget and b) final reports out of a recent baseline study on the Paris declaration on aid effectiveness in Uganda.

Major Issues, Questions and Challenges

There are structural issues, where the PEAP as the overarching national development framework was not aligned to the structures of the national budget. Part of the strategies to overcome this hurdle was through the re-alignment and modification of the PEAP SWGs from 14 to 18. This was undertaken during the process of putting together the Budget Framework Paper, as a precursor to the draft revenue and expenditure estimates for eventual approval of Uganda’s forthcoming Financial Year 2007/08 and resource allocations over the MTEF. The extent to which this may not breed a backlash through budget fragmentation remains to be seen.

Some of the bilateral donors during the study noted with concern that those missions that expressed interest and willingness in taking lead sector roles seemed to have followed their individual country strategic interests in Uganda and specific sectors, disregarding the point of comparative advantage. Some of the bilateral donors felt that a donor playing a lead sectoral role a) should have been previously actively engaged in the sector (experienced) b) have a credible and proven account of staff expertise and c) significant aid support to the sector (whether project support, SBS, GBS, technical assistance, etc).

Some of the donors were either reluctant or unable to provide information on their aid funding trends and volume, for example, over the MTEF. The fact that the national policy documents that are guiding planning and resource allocations in Uganda have gone beyond merely the PEAP to include the Rural Development Strategy (RDS) and the political manifesto of the incumbent National Resistance Movement (NRM) poses a challenge as to whether indeed the full implementation of the PEAP was likely to progressively be compromised. It, therefore, remains to be seen whether the donors will keep committed to the PEAP or the new document and development frameworks that have come to the limelight or even integrate all of them. Though the new frameworks do not seem to deviate fundamentally from the PEAP priorities, they provide for other specific areas that have an implication on national resource (domestic and external) and budgetary allocations.
There were concerns over some donors overstretched their portfolio (resource muscle/envelope and technical expertise) too thin on ground. Some of the bilateral donors that were of interest to the study had not been spared of this, DFID as a case in point. In this respect some donors were actively engaged virtually in every sector. In view of rationalizing transaction costs, comparative advantage, alignment and harmonization in the delivery of aid in Uganda, this issue ought to be streamlined.

**Recommendations and Conclusion**

Arising out of the study, for aid harmonization and effectiveness to be relevant to Uganda's development the following key areas needed further attention. Uganda should have the latitude to be the main driver in the determination and implementation of her own development policies. In-other-words, GoU's planning framework and consultations in the identification of priorities must be driven by the national interests as, for example, is enshrined in the PEAP.

Donor support should be discussed and focused to the implementation of the PEAP, rather than attaching economic and political conditionalities that have quite often not been in favour and full agreement of Uganda. In this spectrum, nonetheless, GoU must commit itself to promoting the key tenets of the Paris Declaration on aid effectiveness, PEAP aspirations and democratic benchmarks, such as public accountability (through strengthening the capacities of public finance management institutions), promotion of citizens' participation and respect for human rights.

Further, the cases of increasing use of project support in Uganda over the MTEF should be re-visited since it contradicts one of the government-donor partnership principles and Paris Declaration on aid effectiveness, where stand-alone donor projects should be discouraged. GBS should be emphasized as the dominant aid modality, guided by GBS dialogues, sector reviews, PER and the APRI process. The APIR process should be prepared for early enough to avoid a rush that is susceptible to limiting stakeholder participation.

Finally, Donors should be clear and communicate their current and future aid commitment to guide national planning and budget processes. Donors should walk the talk and be more pragmatic in their commitments and disbursement of aid, to avoid panic and confusion, unpredictable behavioural change through budget cuts and/or suspension. Otherwise the GoU will always be held for a ransom as it fails to deliver a basket of goods and services on its commitments to the citizens as the first constituencies. Similarly, aid (loans and grants) in Uganda should be aligned to adhere to the loan contraction processes in Uganda. Aid by-passing such processes results into aid under-reporting and other cases of off-budget and abuse of public resources. An aid delivery and utilization policy for Uganda is critical.
1.0 INTRODUCTION AND BACKGROUND

1.1 The Broad Paris Declaration Context for Better Aid

Against the challenges faced by aid management and the seemingly lack of significant achievement in the war against poverty, discussions have emerged on how best aid could be delivered to foster development. In the recent times, the development paradigm has been shaped by the desire to realize the Millennium Development Goals by 2015. The process of global aid reform has been marked by recent events, which are still unfolding. They include the 2002 Monterrey-Mexico financing for Development Summit, where donor nations pledged to commit 0.7 per cent of their GNP as aid to international development. It is such forums and discussions on global development that have informed the broader contextual framework within which resolutions like the Rome High Level Forum on Harmonization (2003) and the Paris Declaration (2005) on aid harmonization and effectiveness; as well as the 2005 G8 Gleneagles commitments for better and impact-oriented aid are premised.

Ideally, the discussions pertaining to the 2003 Rome and 2005 Paris Declaration on Aid Effectiveness and Donor Harmonization are about the international development partners putting into force the Millennium Development Goal 8 of building a global partnership for development expected to mainly benefit the developing countries through (i) fair trade and transparent trading system ii) debt relief- for funding the development activities and iii) increased Overseas Development Assistance (ODA) by the developed countries- for good governance, transparency, youth employment, access to essential drugs, information and technologies that are essential for development.

The Paris Declaration is “more than a statement of general principles…. [it] lays down a practical, action-orientated roadmap to improve the quality of aid and its impact on development” (PD, 2005). The 56 partnership commitments are organized around the five key principles: ownership, alignment, harmonization, managing for results, and mutual accountability”.

1.2 The Case Of Uganda

Uganda, as is the case with most African countries, has implemented her development agenda mainly through aid.

In the quest for development, Uganda in the 1980s and 1990s adopted policies targeted at poverty eradication (or reduction). Between 1987 and 1995, poverty eradication, indeed, was the key objective of government thinking and planning. This was to coalesce into the Poverty Eradication Action Plan (PEAP) in 1997. Informed by the Millennium Development Goals (MDGs) and other national aspirations, the PEAP has since become Uganda's strategic framework and action plan for arresting poverty by 2017. This was partly the genesis of what made Uganda a darling of the western world and such institutions as the International Monetary Fund (IMF), The World Bank and the African Development Bank (AfDB). The love translated into massive donor and debt relief resources for Uganda's drive out of poverty, genuinely or otherwise (Kapwepwe, 2007).

To this extent, therefore, aid is important and likely to become so; mainly because the incremental requirements to meet poverty reduction targets are unlikely to come from elsewhere. The G8 Summit in Gleneagles promised a quantum leap in levels of aid to Africa, from about USD12 billion in 2004 to USD25 billion per year by 2010. The Summit appears to have been the culmination of a process initiated at the Millennium Summit in September 1999, which endorsed the Millennium Development Goals (MDGs).

1.3 Research Objectives and Methodology

At the broader level, the purpose of the study was to encourage dialogue and engagement, with major focus on how Africa should benefit best from donor aid as to overcome the continent's development challenges. Given that even though Uganda has received massive donor aid and implemented donor-engineered policies, poverty remains a jigger to the flesh of Uganda's development. The study aims at examining donor-partner mechanisms and ascertaining the progress thus far achieved. The study further looks at those issues or challenges facing the Government of Uganda (GoU) in the delivery, harmonization, alignment, coordination, mutual accountability and management of aid under the General Budget Support (GBS), Sectoral Budget Support (SBS), project support and pool fund arrangements.
Recommendations are formulated for the attention of Uganda’s public institutions, donor agencies and other key stakeholders to put in place enhanced delivery mechanisms for rationalized aid harmonization and effectiveness and to contribute to fostering national development.

The specific objectives of the study are:

- To assess the current salient aid facts (requirements and availabilities) and policies about the quality of aid and its effectiveness in the context of a possible large increase of aid to Africa.
- To recommend ways of making aid management and delivery effective to poverty reduction and development to Africa.
- To influence public policy makers and donor agencies to put in place national mechanisms of translating international donor commitments on Aid to the national levels.

The methodology was contextualized against the background that in steering forward her socio-economic development, Uganda was characterized by implementation of the Structural Adjustment Programmes in the 1980s and saw the emergence of new aid approaches in the 1990s. Particular of the approaches was the General Budget Support (GBS), Sectoral Budget Support (SBS) and pool fund arrangements under the Sector-Wide approach (SWAp). This was along the Poverty Reduction Strategy Papers (PRSPs) and the related institutional frameworks such as the Mid-term Expenditure Framework (MTEF). The emergence of the approaches was in a bid to overcome the weaknesses of the (hitherto) existing aid modalities, typically “stand alone” projects and structural adjustment operations, as well as different donor conditionalities to the recipient countries, especially in the sub-Saharan Africa context. Major focus of the study is the countries that have benefited substantially from development partners’ support and undergone macroeconomic reforms. Uganda is one such case. The methodology, therefore, was derived by employing a three-tier approach consisting of a) Desk reviews b) Key informant interviews and c) Case study approach of specific donor organizations, beneficiaries/ local organizations and cases that apply to the Ugandan context.

Within the broad framework of unpacking issues of how aid has been delivered and coordinated at country level (aid modalities) with particular focus on aid modalities (GBS, SBS, project support and pool fund arrangements) and mutual accountability, the study was virtually qualitative and intended to capture the views or opinions of the key informants. The purposive selection of the informants was based on their expert knowledge and practice and/ or by virtue of their institutional departments engaging closely with the subject matter. The study was undertaken during March and April, 2007.

In the first phase of the study, a team of four (4) researchers, including a Lead researcher, discussed the Terms of Reference, perspective and clarified personal expectations. The Lead researcher then prepared draft questionnaires that were discussed and modified by the entire research team, for the following three categories of respondents;

- a) Government officials in the Office of the Prime Minister (coordinator of the PRSC 5 for Uganda and the National Integrated Monitoring and Evaluation Strategy-NIMES) and Ministry of Finance, Planning and Economic Development-MoFPED (Aid liaison office, Macro-economic management department and the Budget office).
- b) Civil society organizations
- c) The multilateral and bilateral donor institutions in Uganda (embassies of France, Germany, European Union delegation, Britain, Norway, Sweden and The World Bank).

In the second phase, fieldwork was undertaken. The Lead Researcher wrote letters of introduction of the subject to the institutions of the key informants. The research team followed this up with phone-call and/ or e-mail discussions with specific officers that were assigned the responsibility of working with the researchers.

The third phase was followed by assigning a number to each of the questionnaires that were retrieved and then carried out random sampling where the researchers still conducted visits for in-depth interviews with the selected key informants. The purpose was to cross-check the views captured in the questionnaires and have an overall perspective of a given informant on aid harmonization and aid effectiveness for Uganda. What follows is a discussion on Uganda’s Development Framework and the progress made towards directing donor partners to general budget support (Chapter 2).

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2 The officials in the French Embassy in Uganda never participated in the study, even when they were approached by letters and phone calls.
2.0 UGANDA’S DEVELOPMENT FRAMEWORK AND PROGRESS TOWARDS GENERAL BUDGET SUPPORT

2.1 Uganda’s Development Framework

Uganda implemented the Structural Adjustment Programmes in the 1980s, under the tutorship of the BrettonWoods institutions and other organizations such as the European Delegation in Uganda (under the European Commission). The programmes were under the Economic Recovery Programme. The programmes included the economic liberalization, public sector reforms whose implementation extended into and dominated the 1990s. This was, for example, through down-sizing the public service and divestiture of public enterprises. By close of 2005, a total of 121 public enterprises had been divested (through privatization, concessions, etc), with only a handful remaining to be divested (MoFPED 2006).

In 1997, Uganda put together the 3-year interim Poverty Eradication Action Plan (PEAP). This translated into the first PRSP generation of the PEAP 2000-2003 and the current PEAP 2004/04-2007/08, as the overarching national comprehensive development framework. Through the life of the PEAP, for example, the Poverty Action Fund (PAF) under the PAF GBS (General Budget Support) modality was instituted to give special focus and resources to the perceived key poverty programme areas of Primary Health Care, Universal Primary Education, Water and sanitation, Rural feeder roads and the Plan for Modernization of Agriculture. The implementation of the PEAP has mainly been funded through aid by the loans and grants of the multilateral (e.g. IMF, WB and AfDB) and bilateral (e.g. France, Germany, European Union delegation, Britain and Sweden) resources, debt relief (under the HIPC 1 in 1997, Enhanced HIPC in 2000 and the Multilateral Debt Relief Initiative (since July 2005) and supplemented by Uganda's domestically generated resources.

Pertaining to the government’s leadership coordination, the responsibility for aid management in Uganda lies with the Aid Liaison Department in the MoFPED. The PRSC is coordinated by the Office of the Prime Minister. The donors in Uganda were coordinated under the Development Partner Group, of which all the bilateral donors that were of interest to the study were members. The Ministry has the leadership mandate and authority to handle revenue, expenditure and general budget issues for Uganda and other line ministries report MoFPED as the overall coordinator. With a view to improved alignment and harmonisation of aid in Uganda, a number of public sector reforms have been undertaken, and some are still going on. This has mainly been in the financial management systems where changes are reflected in the following areas: a) Integrated Personnel and Payroll System b) Integrated Financial Management System to operationalise fiscal decentralization as to hasten effective service delivery at the Local Governments c) Public Expenditure Management Committee and d) Financial Management and Accountability Programme (to be elaborated on later).

The soundness of the country procedures is being determined through policy dialogues and identification of capacity gaps in the government institutions largely responsible for the delivery of aid, financial, accountability, alignment and harmonisation, procurement, auditing and management systems. The donors have been instrumental in those dialogue forums with GoU, to determine the next course of actions. At times, the civil society and private sector organisations were invited to be part of the forums. The donors, however, seem to take the upper hand, for example, where aid support from the World Bank has mainly been determined by the policy actions agreed between the GoU and the Bank, but where the Bank takes a dominant role in decision-making. Meanwhile, the policy actions have greatly influenced the behaviour and actions of the other donors, including the bilateral agencies that the study limited itself to. This puts to test the issue of mutual trust and accountability.

2.2 The Aid Process, Modalities and Donor-Partner Relationships

According to the study, it was established that the aid process and modalities in Uganda were generally considered under the PEAP Partnership Principles, as elaborated upon in Table 1 below. The PEAP Partnership Principles are basically a set of commitments that make effort in the general framework of aligning aid to the PEAP. The Principles were agreed upon in 2003 between the GoU and the donors. The Principles spell out the working relationship between the GoU and the donors. All the donors that were of interest during the study subscribed to the PEAP Partnership Principles.
Table 2.1 PEAP Partnership Principles

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<th>Commitments of GoU</th>
<th>Commitments of Donors</th>
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<tr>
<td>Continue to focus on poverty eradication.</td>
<td>Undertake analytical work with partner.</td>
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<tr>
<td>Asssume full leadership in donor coordination process.</td>
<td>Assist partner with setting output/outcome targets.</td>
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<td>Discourage any stand-alone projects.</td>
<td>Develop uniform disbursement rules.</td>
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<td>Strengthen monitoring and accountability.</td>
<td>Develop uniform and stronger fiduciary assurance and accountability rules.</td>
</tr>
<tr>
<td>Develop comprehensive, costed, and prioritized sector-wide programmes.</td>
<td>Ensure integration of support in sector-wide programmes.</td>
</tr>
<tr>
<td>Develop participation and coordination of all stakeholders.</td>
<td>Delegate more responsibility to country office</td>
</tr>
<tr>
<td>Strengthen capacity to coordinate across government</td>
<td>Abolish topping up of individual project staff salaries.</td>
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<td></td>
<td>Terminate parallel country programmes and stand-alone projects.</td>
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<tr>
<td></td>
<td>Reduce tying of procurement.</td>
</tr>
</tbody>
</table>

2.2.1 Progress made from shifting aid towards budget support

In Uganda, the progress that has been registered by both the government and the donors, in moving towards the GBS can be traced throughout the past decade.

- In 2000, Uganda’s first generation of PEAP was developed. The SWAp also became prominent in the Health sector. Under the Enhanced HIPC in 2000, resources were earmarked for the PEAP through the PAF GBS.
- In 2001, Uganda’s progress report on the implementation of the PEAP and subsequent discussion led to her qualifying for budget support under the PRSC 1.
- In 2002, Uganda’s progress report on the implementation of the PEAP and subsequent discussion led to her qualifying for budget support under the PRSC 2.
- In 2003, Uganda’s progress report on the implementation of the PEAP and subsequent discussion led to her qualifying for budget support under the PRSC 3. During the same period, the donors signed-off to the PEAP Partnership Principles.
- During 2005, Uganda qualified for the PRSC 5 and some donors have since come together under the Uganda Joint Assistance Strategy (UJAS).

It should be noted that Uganda pioneered the use of budget support operations that The World Bank Group referred to as the Poverty Reduction Support Credits (PRSCs). In this case, the fifth PRSC supports the implementation of Uganda’s 2nd generation of the PEAP 2004/05-2007/08 and builds on four earlier PRSCs.

Since 1997, the PEAP has been Uganda’s overarching comprehensive development framework. Both the government and donors have, in this case been committed and have been working together towards the implementation of the PEAP. The principles place emphasis on country ownership, allocative effectiveness, transparency and accountability. To this extent, a respondent from MoFPED observed that:

In our journey of shifting aid towards budget support in Uganda, us as the technocrats have discussed and agreed with the politicians in the incumbent/ NRM government that the PEAP programs be reflected in political manifestoes. This has been done, even though not respected all through. We have also continued to build technical expertise at the national level especially at the MoFPED and at the level of Technical Planning Units at the Local Governments’ in the construction and management of the MTEF, Indicative Planning Figures and ensuring that PEAP fits into the country’s 12-year old Decentralization policy. There is donor, private sector and civil society participation in the annual reviews of the different sector performance and plans, discussion of the budget priorities over the MTEF and wide media publicity of these events. You notice that these steps are crucial in having an infrastructural environment for the budget support to effectively function in Uganda. The above, nevertheless, does not mean that all is okay; the shortfalls will be highlighted upon later as challenges.

3 AfDB, Austria, Germany, The Netherlands, Norway, Sweden, Britain (DFID) and The World Bank
2.2.2 How Uganda has handled political conditionality

The issue of conditionality in Uganda has basically revolved around governance. Key concerns for the donors have been in such areas as liberalising the political space, to deepen democracy through citizens' participation in various policy processes and foster transparency and accountability. The liberalization has further been expected to allow the free existence and operation of a multi-party dispensation, as one of the ingredients for budget support disbursements.

Uganda responded by returning to political pluralism in 2005 that had otherwise been suppressed since 1986. The first multi-party campaigns and eventual elections were conducted in February, 2006. Further, Uganda's 2nd generation of PEAP (2004/05-2007/08) has an elaborate section in the PEAP result matrix that has captured governance perspectives of human rights, democracy, anti-corruption and conflict resolution. Most bilateral budget support donors to Uganda have since used the governance result matrix for their decisions on budget support. Their decisions are further hinged on the progress by the Government of Uganda in executing her commitments in the PRSC prior actions.

During the study, it was established that Uganda still faced challenges in meeting the political and general governance concerns of the donors. One official in MoFPED observed that:

While the implementation, monitoring and evaluation on political commitment may be based on the PEAP, the pace (timing) and detailed indicators to this commitment are set by the donors under their umbrella of "Partners for Democracy and Governance". It is also difficult to separate the political conditionality from the economic conditionality; the two tend to go hand-in-hand where both the multilateral and bilateral donors are very interested in compliance to all indicators of both conditionalties.

2.3 Overcoming Capacity Constraints in PFM, Programme Implementation and Performance Assessment

From the 1990s when Uganda embraced the implementation of the new aid modalities of General Budget Support (GBS), Sectoral Budget Support (SBS) and pool fund arrangements under the Sector-Wide approach (SWAp), within the framework of Uganda's PRSP called the PEAP, the country has since embarked on streamlining public financial management (PFM) systems, processes and procedures to release the benefits under such modalities. Streamlined mechanisms under the PFM were expected to greatly contribute to the country's financial management and accountability capacities particularly in budgeting, accounting, procurement and contracting, planning and designing development programs as well as service delivery and performance assessment through monitoring and evaluating.

According to the officials in the MoFPED, the PFM in Uganda facilitated the MTEF in the operationalisation of processes such as the medium term fiscal framework, budget formulation, budget execution and expenditure control, internal and external audit and inspection and the general financial management related oversight roles. Indeed it was established that the Ministry of Public Service, MoFPED, line Ministries, Ministry of Local Government (directly responsible for the affairs of the Local Governments in Uganda) are charged with the management of the PFM processes in close consultation with the Executive. Meanwhile, the Office of the Auditor General and Parliament (the National Public Accounts Committee and the Local Governments Public Accounts Committee) take the supervisory and oversight role to foster transparency and accountability under the PFM, within the perspective of ensuring prudent utilization of the public resources in Uganda.

It was also noted during the study that streamlining the constraints under the PFM in Uganda has been progressive but also iterative (back and forth), given that some staffs that are technically capacitated to handle certain aspects in the reform of the PFM at times leave government for political offices, civil society organizations, private consultancy firms and even further studies. The progress registered, nonetheless, has been through the technical and financial support of mainly the donors, through the General Budget Support (GBS), Sectoral Budget Support (SBS) and project support modalities.

In the quest for overcoming the constraints, interviews with DFID and other bilateral donors showed that United Kingdom has taken lead in supporting the effectiveness of PFM in Uganda. Donor support has, for example, been under the technical and financial support for PFM reforms under the IFMS, EFMP II/FAP that ended in December 2005. Meanwhile, DFID continued to provide resources to finance minimal activities during 2006.
Even though efforts for reforms have been registered in overcoming Uganda’s constraints through strengthening of the PFM aspects such as programme designs, financial management, accountability and performance assessment, so that the new budget modalities can take full effect, it is acknowledged that:

The reform programmes implemented to date (2006) have resulted in significant improvements in a number of areas (e.g. legislation, professional capacity, core Central Government computerization), but they have not as yet been completed or created fully sustainable improvements. In particular: i) Achieving aggregate fiscal consolidation and control requires further strengthening of the medium term fiscal framework (MTFF) and Budget credibility; ii) Improving comprehensiveness and transparency requires extension of the classification framework, improved coverage of all GoU financial transactions and consolidation of the framework for intergovernmental fiscal transactions; iii) Significant weaknesses remain in respect of budget policy realism, payroll, procurement and internal audit systems; iv) ICT based accounting, financial management and reporting systems need to be extended to all Ministries, Departments, Agencies and Local Governments and related organizational restructuring implemented; v) External Audit developments need to be consolidated and vi) Parliamentary Oversight arrangements strengthened”.

From the above situation, the bilateral donors interviewed during the study expressed that donor assistance was still critical for Uganda in nurturing further the application of MTEF, procurement processes, analysis of the PEAP indicators to capture outcomes and impact, building the capacity of anti-corruption agencies and related management prospective for consolidation of the tenets that are perceived as key to the new aid modalities, especially, the GBS.

In view of the teething challenges as noted above, for the new aid modalities, especially the GBS and donor harmonization on aid, to fully take root in Uganda additional strategic reforms in the PFM were being proposed by government of Uganda as thus:

1. Economic Planning: To provide for improvements in aggregate fiscal management and budgeting in MoFPED Directorate of Economic Affairs.

2. Budgeting Systems: For strengthening of the Budget Directorate, and the budget process including stakeholder participation (strengthening citizens and CSOs participation in the budget process), MTEF (project integration), output oriented/activity based budgeting, and the development of sustainable capacity to support the IFMS budget module.

3. Financial Management Systems in MDALGs: This should mainly be in the two subcomponents of (i) A systems component to cater for continued rollout and deepening of IFMS in MDALGs; (ii) Further institutional development and capacity building for accounting, financial management and internal Audit in MDALG to enhance their accounting and financial management capabilities to effectively utilize the new IFMS, Internal Audit and Payroll Systems. This will be further enhanced through MoFPED working closely with the MPS under the Public Service Reform Programme (PSRP) for improvement in the areas of human resource management (implementation of IPPS and the interface with the IFMS), and the pensions system (reconciliation and management).

4. Oversight: Support to the continued strengthening of the external audit function undertaken by the Office of the Auditor General (including legislative and corporate plan implementation, information technology, and value for money audits, physical accommodation and logistical support); and strengthening of the capacity of Parliamentary financial accountability Committees and staff on enforcing accountability and expenditure management by Parliament. Parliament also needs support to clear reporting backlogs and perform on-spot inspections for ministries, state enterprises and local governments, and the related logistics.

5. LG Financial Management Systems: To facilitate building capacity for PFM in the local governments, financial systems development, and other issues at the LG level including interface between existing LG systems and the IFMS.

This component will complement the broader fiscal decentralization process and will facilitate interim measures for PFM improvements pending the full IFMS implementation.
6. Management Support: It is also proposed that MoFPED will take lead coordination responsibility for the FINMAP with MoLG, and the Office of the Auditor General being responsible for implementation of their own individual components. The Deputy Secretary to the Treasury (DST) will take overall leadership for the programme and will be supported by a programme coordinator and management support staff.

PEMCOM (chaired by the Permanent Secretary/Secretary to the Treasury) will provide a policy forum for programme implementation and provide linkage with the Accountability Sector Working Group and PEAP implementation and monitoring for this programme, and also provide a forum for dialogue with development partners. Where necessary the strategic links between MoFPED (under FINMAP) and other ongoing or planned reforms are elaborated (PRSC, PSIDP, etc). This component also includes activities to support improvements in administrative functions of MoFPED”.

Until such challenges as above are addressed in Uganda, donor behaviour and practices will probably remain, even though they contradict Rome and Paris Declaration on aid harmonization and effectiveness. Generally, Uganda's relationship with the bilateral donors seems to be of master (donor)-servant (recipient) relationship. It was established that the bilateral donors such as Germany Norway, Sweden, European Delegation in Uganda and DFID were willing to support the proposed PFM reforms for the new aid modalities to work effectively in Uganda.

The above support was to be characterized by common programme management, monitoring and reporting arrangements under the chair of DFID. Given that Uganda required about USD 70 million (with an estimated GoU contribution of USD 1 million), the extent to which discussions between the donors and government could be held on the same wavelength remains to be seen.

Despite the existence of the new aid modalities in Uganda and where there move towards progressive realization of the GBS, the indication on ground seems to be point to the contrary. An example is where there are markable increasing funding trends for project support over Uganda MTEF, 2006/07-2009/10.
3.0 PROGRESS IN AID ALIGNMENT AND HARMONIZATION

3.1 Policy Dialogues

Since the 1990s, effort has been made to align donor financial support with Uganda's policies and budget systems through policy dialogues. Since then, Uganda and the bilateral donors (including those that were the focus of the study) have jointly implemented forums to align the broader and specific aspects or concerns in the promotion of donor programmes with strategies for national poverty reduction. The following donor observation summarizes the historical journey.

We need to recall that since the 1990s, both the donors and Government of Uganda has subscribed and nurtured the growth of sector wide approaches, implemented joint missions, the interactive Consultative Group (CG) meetings for civil society-government-donor engagement, national donor partnerships, joint sector reviews and analytical assignments. All these have progressively fed into the PEAP and lately the missions of Sweden, Germany, Britain (DFID) and Norway are members of the UJAS.

3.2 PEAP and MTEF Development

Uganda's poverty reduction effort is coordinated within the PEAP framework. To align and harmonize working relationships on aid modalities between the donors and GoU, the process for the development of the PEAP partnership principles was concluded in 2001. The principles were then revised in 2003, in line with the new PEAP revision processes and structures such as the Sector Working Groups, the PER and the MTEF. The MTEF has been implemented to guide expenditure priorities within the PEAP since the Fiscal Year 1992/93. GoU's commitment to the PEAP seems to have also translated into donor commitment to the same, as for instance is reflected in the UJAS (discussed ahead).

There has been further alignment, coordination and harmonization about the PEAP in relation to the national budget and donors. A PEAP-MTEF mapping exercise was conducted in 2006 to plot PEAP structures on the GoU recurrent and development budget and then to allocate aid flows to the PEAP Areas and SWGs (refer to the section of donor division of labour ahead) used in the Fiscal Year 2007/08 budget process. This exercise has for the first time in Uganda demonstrated that aid can be plotted on the national budget, thus aligning and harmonizing aid to Uganda's development framework/PEAP goals, systems, processes and budgetary allocations.

An interview with the Budget Office shared the following:

Uganda's current PEAP 2004/05-2007/08, has 5 pillars/ broad outcomes, 18 PEAP objectives, the 14 MTEF Sectors and, thus 14 SWG until the end of the current Financial Year (FY 2006/07), have been modified in the forthcoming FY 2007/08 and increased to 18 arising out of the splitting up of the previous over-aggregated Economic functions and Social Services Sector in Uganda. All this undertaking involved the all the 28 development partners/donors (multi-lateral and bilateral).

All the 18 SWGs have a close and direct linkage with a series of the 53 Sector Objectives that relate with the PEAP Areas. These SWGs were constituted with the donors (multi-lateral and bilateral) together with the Budget and Macro-economics departments of the GoU. The changes in the MTEF sectors/ SWGs that informed the plans for the forthcoming Fiscal Year will require similar changes in the donor structures. These efforts have been geared towards alignment and harmonization of donor programmes and aid delivery with the national poverty reduction strategies, for aid effectiveness and allocative efficiency in Uganda.

3.2.1 Public Expenditure Review

Every year the GoU convenes a Public Expenditure Review (PER) meeting that is attended by donors, Parliamentarians, the media, private sector organizations, civil society organizations and the government officials at the national and local governments' levels. Through the PER, GoU rationalizes her recurrent and development budgeting priorities to indicative planning figures. So, the PER has been critical in harmonizing donor expectations and programmes in rationalizing resource allocations across sectors and within the strategies for poverty reduction in Uganda.
3.2.2 Sector-Wide Approaches

Within the SWAps, there has been further harmonization between the donors and the government of Uganda. In 1999 where the Education sector was the pioneer in piloting the PRS approaches in Uganda brought the SWAp as the prominent modality (Ministry of Education and Sports, 2002). There was also visible donor coordination on local government development in Uganda with Britain, Germany, Austria, Netherlands and World Bank as examples of the key partners with the government of Uganda, in addition to some CSOs under the their umbrella of FENU.

The SWAps have since been the modalities employed in other sectors such as the Water, Health and Agricultural. The Justice, Law and Order Sector (JLOS) sector has been the latest to employ the SWAps in the FY 2006/07. The application of the SWAps within the MTEF has also been informed by the district plans to complement the effort for comprehensive sector investment plans in Uganda.

3.2.3 Sector Reviews

The sector reviews are the other mechanisms that both the government and donors have instituted to streamline their working relationship and budget support. Each sector undertakes annual reviews where various participants share their assessment of the successes, challenges and the next steps. The extent to which views, outside those of the donors, are taken seriously by the government and acted upon remains a challenge. Emphasis tends to be placed on the views of the donors as opposed to those views by the citizens either through the CSOs, Parliamentarians or the media. The sector reviews have since been harmonized to feed into the Annual PEAP Implementation Review (APIR).

3.2.4 APIR Process

Apart from the above; the government has instituted the Annual PEAP Implementation Review (APIR) process, to widen participation in assessing the performance of government towards implementation of the PEAP priorities. The process is consultative. The donors have been able to feed into the process that is widely guided by the PEAP Results Matrix. The Matrix provides monitoring and evaluation indicators on the performance of the PEAP in Uganda.

3.2.5 Aid information mapping amongst the donors

In the spirit of aligning donor programmes with the national poverty reduction strategy, the donors in Uganda, including France, Germany, European Union delegation, Britain and Sweden, designed and implemented the Aid Information Map (AIM) in 2006. AIM consisted of a Questionnaire and a Financial Data Tool, to capture both qualitative and quantitative information on aid in the perspective of streamlining donor linkages, division of roles and aligning aid to the national development framework. AIM basically considered information on the current and future aid support to Uganda of an individual donor, as well as the Financial Data Tool (FDT) that compared aid information from MoFPED and the donors and related it to the pillars of PEAP, MTEF, the budget and aid modality categorisation. The purpose of the AIM is summarized below, according to a DFID response:

AIM was intended to provide an accurate data on aid flows and activities of development partners in Uganda and a methodology on what should be changed as to align with the PEAP, sector objectives and Sector Working Groups and Development Partners Groups.

3.2.6 Peer Review

Beyond the MTEF, PER and the PEAP, SWAps, sectoral reviews, the APIR process and Aid Information Mapping efforts in aligning donor programmes with the national poverty reduction strategy in Uganda, a peer review exercise was also undertaken during November and December, 2006. It accorded an opportunity for each of the donors that had participated in the Aid Information Mapping exercise, including France, Germany, European Union delegation, Britain and Sweden, to cross-check the generated information and comments about itself and other donors.

The above was aimed at providing feedback and examining the degree to which a donor’s current and future plans were aligned to the objectives, national work plans and financial modality and resource size aspirations of a given sector(s). In this respect, some donors such as Sweden and Germany had revised their work plans.
3.3 Aid Harmonization Under the UJAS

The aid harmonization amongst the key donor agencies for Uganda has mainly been through the Uganda Joint Assistance Strategy (UJAS). By 2004, the net ODA for Uganda accounted for 17.3 percent of GNI. UJAS is composed of some of, such as and (DFID). The UJAS brings together some of Uganda’s major General Budget Support bilateral such as Britain (DFID) and multi-laterals such as The World Bank Group and AfDB. UJAS full implementation came into force during 2005. Since then, Belgium, Ireland, Denmark and the EC have joined, bringing the total number of UJAS partners up to 12.

Table 3.1 Selected current and planned partnerships for PEAP implementation in Uganda

<table>
<thead>
<tr>
<th>PEAP Pillar and Area</th>
<th>UJAS Partners</th>
<th>Non-UJAS Partners</th>
<th>Increasing Harmonization</th>
<th>Increasing Selectivity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pillar 1: Economic Management</strong></td>
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<td></td>
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<tr>
<td>Macro-economic stability consistent with private-sector led growth</td>
<td>DFID, Germany, Netherlands, Norway, Sweden and World Bank</td>
<td>EC, Ireland and IMF</td>
<td>DFID and Denmark are considering a joint project to build capacity of the Uganda Revenue Authority; Joint analytical around public expenditure review and, the country Economic memorandum.</td>
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<tr>
<td><strong>Pillar 2: Enhancing Production, Competitiveness and Incomes</strong></td>
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<tr>
<td>Increased and more efficient agricultural production.</td>
<td>AfDB, Austria, DFID, Netherlands, Norway, Sweden and World Bank</td>
<td>Belgium, Denmark, EC, IFAD, FAO, JICA and U.S</td>
<td>AfDB and DFID exploring joint policy work.</td>
<td>DFID and Norway have disengaged from fisheries and agriculture, respectively.</td>
</tr>
<tr>
<td>Strengthened infrastructure in support of increased production of goods and services.</td>
<td>AfDB, Germany, Netherlands, Norway, Sweden and World Bank</td>
<td>Belgium, Denmark, EC and JICA</td>
<td>An informal energy donor working group has been established, a formal SWAP is being discussed.</td>
<td>Germany has disengaged from the transport sector and is the Netherlands in energy.</td>
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<tr>
<td><strong>Pillar 3: Security, Conflict Resolution and Disaster Management</strong></td>
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<tr>
<td>Reduced insurgency and conflict and increased re-integration of internally displaced persons.</td>
<td>AfDB, Austria, DFID, Germany, Netherlands, Norway, Sweden and World Bank</td>
<td>Belgium, Ireland, EC and JICA</td>
<td>German leading a conflict training initiative and a joint donor partnership for social recovery of northern Uganda being worked upon.</td>
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<tr>
<td><strong>Pillar 4: Good Governance</strong></td>
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<td></td>
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</tr>
<tr>
<td>Strengthened legal and justice systems</td>
<td>Austria, Germany, Netherlands, Norway and Sweden</td>
<td>EC, Ireland</td>
<td>Justice, Law and Order (JLOS) SWAP Legal Aid Basket Fund.</td>
<td>Several bilateral support legal aid through the Legal Aid Basket Fund managed by DANIDA; Netherlands provides legal support to DFID on the JLOS Sector and still represents DFID in sector dialogue.</td>
</tr>
</tbody>
</table>

Other than the multilaterals, amongst the bilateral donors that the study focused and happened to be members of UJAS were Germany, Britain (DFID), Norway and Sweden. The UJAS represents significant steps and partnership principles for donor assistance, in the harmonisation of aid and its effectiveness for Uganda.

It was also established during the study that UJAS partners had since developed a common assessment framework that guided donor financing and communicating commitments to the GoU prior to budget preparation on an annual basis. This had also relatively improved predictability of donor support to Uganda. Indeed, the following considerations stand out in the perspective of aid harmonisation and effectiveness for Uganda under the UJAS:

- It builds on the Partnership Principles and the Rome and Paris Declarations on aid harmonisation and effectiveness.
- Aligns UJAS partners’ support with the PEAP.
- Presents a common assessment framework for determining levels of finance, to improve aid predictability.

Under the UJAS, for example, a number of bilateral donors that were of focus for the study had already situated (e.g. through delegated partnerships) themselves on where they were to place emphasis within the PEAP. The table below gives an indication of the progress made towards aligning and harmonizing donor support to the national development.

At the level of joint field missions, analytical and diagnostic reviews, planning and funding (e.g. joint financial arrangements) and disbursement at country level, monitoring, evaluation and reporting, the UJAS partners have come along way in aligning and harmonisation of donor activities and aid flow support to Uganda. Indeed, UJAS partners seem to be committed to setting ambitious aid effectiveness targets once the Paris Declaration baseline and improving the division of labour for Uganda are concluded.\(^5\)

### 3.3.1 Partnership and Division of Labour

While such exercises as the mapping of aid, peer review and UJAS were undertaken, the results thereof were further utilised for purposes of strengthening partnerships through division labour. A donor source thus had the following to say:

Development partners (DPs) in Uganda (including key multilaterals) are working to improve division of labour in order to increase aid effectiveness. So far DPs have proposed their areas of comparative advantage, and where they would like to take a lead or be active in the future. These proposals have been peer reviewed by other DPs and the results have been pulled together and are being considered by Government.

Looking at the various steps undertaken so far towards aid management and donor harmonisation in Uganda, there has been a somewhat steady headway in GoU engagement with the donors so far. A further examination of the donor financial support in using Uganda’s policies and budget systems shows that there is emphasis of a shift to sectoral level processes and discussions (e.g. Sector Working Groups) as the major point for decision-making, harmonization and general alignment with the aid modalities in Uganda. Such initiatives are said to have streamlined delegated responsibilities, reporting formats and other donor working relationships.

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\(^5\) Note that the exercises were still underway by the time of this study
3.4 Transaction Costs of Aid Delivery and Reporting Requirements

From the exercises above that have so far been undertaken in Uganda in aligning donor programmes with the national poverty reduction strategy, a number of donors, including France, Germany, European Union delegation, Britain and Sweden, believe that transaction costs associated with aid delivery as well as reporting requirement burdens are reducing. The exercises have availed opportunities for discussion on comparative advantage of each donor in a given sector, so that those that have the expertise and interest take on lead sector roles.

Each of the donors that were of focus to the study had participated in the exercise of expressing interest in and willingness to taking up leadership functions for donor groups and preference in support to sectors, delegated partnership areas (i.e. devolving dialogue or financial responsibility to another donor), or even complete withdrawal (disengagement) from a given sector. The decision by each donor was usually informed by the timescale of support to Uganda’s development efforts, current and potential staffing and expertise levels at the embassy at country level. The global international development strategy as communicated and coordinated by the head office for international development activities in the mother country and any other historical, current or future strategic interests and bilateral relationships were critical for a donor in identifying where to play an active role.

From the above, it seems very likely that a donor’s willingness to play a lead sector role is not only determined by the comparative advantage but also traces of an individual country’s strategic interests. This, albeit, brings the whole willingness of a donor to sector lead role into question as well as the point of comparative advantage. This, even then remains to be tested. It was, therefore, observed that some donors were already clear and had started delegated partnerships, coordination, joint reviews and analyses amongst themselves. Still, in the respect of reducing transaction costs and aligning their work associated with aid delivery in Uganda, donors were encouraging and/or participating in joint planning, harmonising calendars for financial disbursement, monitoring, evaluation and reporting to GoU government on donor activities and aid flows. This has resulted in donors having led partners in a sector and having a coordination point/mini-secretariat, rather than different secretariats for each of the donors.

Cases of pool funding amongst the donors had also been realised, thus reducing transaction costs in the delivery of aid in Uganda. DFID, for example, had delegated her humanitarian work and assistance to UNICEF and other UN organs under the UNDAF (United Nations Development Assistance Framework) for Uganda. Working together amongst the donors had also rationalised the transaction costs and report lines associated with aid delivery through, reduced separate, duplicative field missions and reviews and promotion of joint trainings, consultations and experience sharing. A DFID source, for instance, noted the following:

We are increasingly using joint training and lesson learning. For example DFID staffs are taking place in a Public Financial Management course organised by Norway. Germany was also leading the development of a training initiative on conflict, where Norway, Sweden and the European Delegation in Uganda were to participate, within the PEAP priorities. Further donor commitments and clarifications on expertise and sector lead roles, however, were coming in the course of 2007 during a) discussions on streamlining Sector Working Groups alongside aid allocations and national budget and b) final reports out of a recent baseline study on the Paris declaration on aid effectiveness in Uganda.

3.5 Predictability of Donor Assistance

In spite of the effort made towards alignment and harmonization for aid effectiveness, donor assistance and predictability for Uganda remains somewhat unpredictable, as a donor source said

The trend of aid support and donor behaviour will largely be dictated by the behaviour of the Uganda government. The question of political tolerance, respect for human rights, fighting corruption and respect of freedoms of individuals, the media and political activities will determine the course of actions for the donor community.

The above seemed to be the case, for example, where during the FY 2006/07, DFID kept our Poverty Reduction Budget Support (i.e. GBS) at £35 million instead of a total programme of £70 million. This was less than the £55 million previously planned because of concerns about governance, public administration expenditures, and some of the Government’s new budget plans. The decision also took into account continuing major humanitarian needs in northern Uganda, which the funds released, helped to address.
Similarly, during the FY 2005/06, some of the bilateral donors suddenly reduced their funding to Uganda's national budget. The estimates reductions in millions at the close of 2005 for those donors that were of particular focus in this study were as follows a) Norway- US $4 m b) Sweden-US $8m. Issues that prompted these donor actions centred on governance. The extent to which the GoU, therefore, can adhere to the promotion of good governance, accountability and prudent utilisation of public resources will remain key in contributing to the level of donor predictability, alignment, harmonisation and reliability in the delivery of aid to Uganda.

It was further established during the study that some of the donors were either not willing or unable to provide information on their aid funding trends and volume, for example, over the MTEF. While DFID and Germany have been able to give a picture of their funding trends, delegated partnerships and aid modalities of up to 2012, other bilateral donors in the study were not affirmative on their commitments and providing data for even the FY 2007/08. The European Delegation in Uganda said it was still preparing a new Country Strategy Paper 2008-2013, under the 10th European Development Fund. This has also been attributed to some unresolved issues in the donor fraternity on their own Donor Working Groups and protocols to guide their relationships, an area that still needs time to align and harmonise.

Even though there other explanations that this was at times determined by the fact of not exactly predicting the humanitarian situation, especially in the conflict area of northern Uganda, it was clear that this limitation caused the MoFPED and SWGs not to have accurate and comprehensive data on aid plotted to the PEAP Pillars and Areas over the MTEF. Thus, undermining sectoral planning, budgeting that all take a negative toll on the national development outcomes as highlighted in the PEAP.

Chart 3.1 Planned Aid Disbursements by Uganda’s Donors

![Chart 3.1 Planned Aid Disbursements by Uganda’s Donors](image)

Source: Aid Liaison Department, in a document by KARIN CHRISTIANSEN, et al, Uganda Donor Division of Labour Exercise, March 2007
4.0 KEY ISSUES AND CHALLENGES FOR AID MANAGEMENT AND DONOR HARMONIZATION IN UGANDA

The key issues and challenges for aid management and donor harmonization in Uganda are discussed below. What should determine a comparative advantage in leadership? Some of the bilateral donors during the study noted with concern that those missions that expressed interest and willingness in taking lead sector roles seemed to have followed their individual country strategic interests in Uganda and specific sectors, disregarding the point of comparative advantage. Some of the bilateral donors felt that a donor playing a lead sectoral role a) should have been previously actively engaged in the sector (experienced) b) have a credible and proven account of staff expertise and c) significant aid support to the sector (whether project support, SBS, GBS, technical assistance, etc).

Other bilateral donors believed that following such criterion per se as above was irrational. This criterion would automatically make certain donors dominate virtually most sectors, a factor that was likely to create overload of a few donors, temptations of taking absolute decisions and making other donors and SWGs in general simply rubber-stamp certain actions. In this case then, "Factors that pertain to rationalisation of the lead role, expertise and being genuinely involved in a given sector should be key in streamlining leading donors in the sectors. The leader, however, should emerge out of discussions of a relevant SWG and agreement." There was also an issue of whether such leadership should be rotational, permanent and under what specific terms.

4.1 PEAP and National Budget Inconsistencies

Arising out the discussions with officials in the Budget and Macro-economics departments and Aid Liaison office, there was a challenge during the process of mapping aid resources to the national budget and PEAP priorities, due to some elements of inconsistence. Such inconsistencies are further replayed in the MTEF and SWGs, in spite of the fact that, for the first time in Uganda's history, aid was aligned to the national budget for the Fiscal Year 2007/08, in the effort of aid alignment and harmonization with the PEAP. The PEAP Objectives and Area levels were a mixture of MTEF Sectors and sub-sectors, yet there was no level in the MTEF below the sector categorization to the PEAP Area. Apparent in this case was where the Roads and Works occupied the highest (sector) level within the MTEF, whereas Roads and Transport was situated at the lowest (sub-sector) level, that is Area, under the broader PEAP Objective of Strengthened Infrastructure.

There are structural issues, therefore, where the PEAP as the overarching national development framework is not aligned to the structure of the national budget. Part of the strategies to overcome this hurdle was through the re-alignment and modification of the PEAP SWGs from 14 to 18. This was undertaken during the process of putting together the Budget Framework Paper, as a precursor to the draft revenue and expenditure estimates for eventual approval for Uganda's forthcoming Financial Year 2007/08 and resource allocations over the MTEF. The extent to which this may not breed a backlash through budget fragmentation remains to be seen.

4.2 Flouting of the Financial, Legal and Regulatory Framework in Uganda

The GoU has made effort in the spirit of ensuring prudent public financial management. This is mainly in the areas of procurement, accountability and related procedures. Below are examples of the legislation in place.

<table>
<thead>
<tr>
<th>Legislation</th>
<th>Year of enactment</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Public Procurement and Disposal of Public Assets Act and Regulations</td>
<td>2003</td>
</tr>
<tr>
<td>Constitution of the Republic of Uganda</td>
<td>1995</td>
</tr>
<tr>
<td>Local Governments (Amendment) Act and Regulations</td>
<td>2006</td>
</tr>
<tr>
<td>Public Finance and Accountability Act</td>
<td>2003</td>
</tr>
<tr>
<td>Budget Act</td>
<td>2001</td>
</tr>
<tr>
<td>Appropriations Act</td>
<td></td>
</tr>
</tbody>
</table>

Response by an official from Uganda Debt Network (UDN), one of the CSOs in Uganda engaged in policy advocacy (www.udn.or.ug)
Effective implementation of the existing laws as to enforce prudent management of public finance and procurement has been undermined in Uganda. Cases of flouting of the laws, abuse of the legal framework in procurement of goods and services, handling of public funds, financial transactions and commitment while circumventing designated institutions remained apparent. An example was where the Minister for Finance, Planning and Economic Development acknowledged that, "In some cases, loan agreements have been signed with creditors before Parliamentary approval…to coincide with timing the Boards of Development Finance Institutions that approve the loans".

4.3 Budget Indiscipline

The above was further compounded by budget indiscipline, cases of some government institutions that were perpetual in attracting supplementary expenditure and contravening of the guidelines on supplementary budgets in Uganda. A position paper by civil society had the following comment:

There are persistent and perpetual supplementary expenditures, especially the 'so called' powerful ministries; Public Administration and Security sectors yet there are other pressing development needs. For example, the released budget performance for Energy sector in the FY 2005/06 was only 49 percent compared to State House 150 percent. Supplementary expenditures have continued to favour certain sectors at the expense of others, and thus grossly counteract the original objective of budgeting, by skewing actual spending in favour of sectors that may not have much direct impact on poverty.

Clearly, the use of supplementary appropriations undermined the budget process as a key aspect for effective expenditure planning in Uganda. Such highlights above, coupled with corruption, were working against the spirit of promoting the GBS, aid harmonization and effectiveness in Uganda.

4.4 Poverty Profiling Versus Causes in the PEAP

Besides the PEAP and budget inconsistencies, there is a CSO concern that, not too different from the interim and first generation of PEAP, the second generation/ current PEAP document/ framework was still a layout of poverty profiling rather than tackling the real causes of poverty in Uganda and administering fundamental solutions, as captured below.

The PEAP profiles poverty and not the causes. Some of the causes, for example, include lack of gender budgeting in resource prioritization, allocation and utilisation. So, even over the MTEF, the women and girls remain more marginalized and in poverty, regardless of whether aid works or not.

4.5 Different Planning and Budget Allocation Frameworks

The fact that the national policy documents that are guiding planning and resource allocations in Uganda have gone beyond merely the PEAP to include the Rural Development Strategy (RDS) and the political manifesto of the incumbent National Resistance Movement (NRM) poses a challenge as to whether indeed the full implementation of the PEAP was likely to progressively be compromised. Under the manifesto, some revenue generation sources through local tax had been abolished, beginning with the financial year 2006/07, with a bearing on service delivery and operations for local governments in Uganda.

Under the RDS, for example, there was emphasis for extending $42 million subsidized credit to savings and cooperative societies nationally as one of the interventions to poverty reduction. Under the IMF Policy Support Instrument to Uganda, this intervention had raised disagreements between the GoU and the donors spearheaded by a mission of the IMF. Accordingly, it was argued that giving preferential interest rates to the segments of borrowers was to only create distortions in the market (East Africa, 2007). In view of this, a source in MoFPED observed that agreement between the GoU and the donors was being concluded. It, however, remained to be seen whether the donors were to keep committed to the PEAP or make effort in harmonizing it with the RDS and related development frameworks that may come to the limelight then or in future. Though the new frameworks did not seem to deviate fundamentally from the PEAP priorities, they provided for other specific areas, yet they had a bearing on national resource (domestic and external) and budgetary allocations for Uganda.

\[\text{Response from Forum for Women in Democracy (a civil society organization in Uganda)}\]
4.6 Declining Reliance On Donor Funding

Uganda had registered declining trends as regarded reliance on donor funding. At an estimated GDP growth oscillating between 5 and 7 per cent for the last two decades, the country's capacity for revenue generation was improving annually. Between the Financial Year, 2005/06 and 2006/07, total domestic revenues collections had increased by 16 percent\(^8\), bringing donor funding to about 46 percent of budget support. In the FY 2007/08, donor support to the budget had declined to 38.7 percent, according to the Budget Speech for the Financial Year. The issue here was whether the GoU was likely keep shifting budget priorities away from the PEAP, since there was an increasing likelihood of putting aside donor political and economic conditionality, to own government decisions and choices.

4.7 National Versus Joint Donor Interests

The extent to which the national donor interests should either be subservient to or aligned to the donor groupings and joint working modalities remains an issue. “Different interests use international aid for different country specific and global interests. So, how will these be exactly handled even though everyone seems to agree that aid effectiveness and donor harmonization is a good thing?” wondered a GoU official. Two CSOs of those visited seemed to share similar sentiments.

Taking a case of EU as an example, it remains to be seen whether or not aid is going to be a major instrument in ‘arm-twisting’ Uganda to agree to certain conditionality (political, economic, etc) promoted by the EU. This is arising out of the fact that, the European Union is said to have thrown out Uganda’s request for more funding to build the export infrastructure as a pre-condition for signing the new trade protocols - Economic Partnership Agreements\(^9\), expected to be concluded by December, 2007. Such contradictions were likely to have an implication on the nature of aid modalities in Uganda.

The officials in the two CSOs further noted that even though colonialism and the cold war may be gone, economic imperialism was alive and hence shaped the aid modalities and donor interests in Uganda. Indeed, taking an example of one bilateral donor as a case in point, the study established that, DFID’s business plan of how Britain will support the UJAS and the GoU to implement the PEAP is set out in the Performance Framework Delivery Plan. So, a question may arise why there should be a separate a framework, yet with donor alignment and harmonization, multiple work plans and reports ought to be reducing? Beyond global politics and interests, one would have expected one plan covering all the donors under the UJAS.

4.8 Overstretching Donor Portfolio

There were concerns of some of the bilateral donors that were of interest to the study spreading their portfolio (resource muscle/envelope and technical expertise) too thin on ground. In this respect some donors were actively engaged virtually in every sector. In view of rationalizing transaction costs, comparative advantage, alignment and harmonization in the delivery of aid in Uganda, this issue ought to be streamlined.

4.9 Rationalization of Events and Processes

Much as reputable progress has been registered in the alignment and harmonization of aid delivery to Uganda’s development strategy and systems, both the donors and officials of the GoU felt that the processes had taken a toll on their own delivery capacities as individuals involved in several undertakings. While, for example, discussions and minutes of the meetings, plus other documentation on the revision processes for the MTEF/SWGs from 14 to 18, PER and APIR events, preparation of Budget Call Circulars (for ministerial budget proposals), putting together the Budget Framework Paper for FY 2007/08, OECD/ DAC Harmonization and Alignment survey, Parliamentary summons and hearings from technical staff in MoFPED, other assignments were underway. Where donors were not part of some or all said events, they were also engaged with their own processes such as division of labour studies, AIM and Peer reviews. The timing and streamlining of such events is critical to avoid institutional and personnel fatigue.

4.10 Project Funding Contradicting Donor Commitments

While donors support the move towards the general budget support aid modality, their behaviour on ground seems to be different. Uganda, for example, had registered increasing project loans over the MTEF, where an average of 76% of external financing was project funding.

\(^8\) Uganda Debt Network, The 2006/07 National Budget: Shortfalls in Pro-Poor Spending, Budget Policy Brief, April 2006

\(^9\) The Weekly Observer, in an article, Trade talks in Balance as EU rejects Uganda’s aid Request, August 9-15, 2007, p.35
Through the study, it was clear that project funding had presented itself as the major aid modality and increasing as a proportion of aid. This contradicted the donor-GoU commitment and spirit of the principles of Paris declaration on aid harmonization and effectiveness. According to a MoFPED source:

*International financial institutions and the bilateral donors will still contribute about 40% to the national budget. Most of the support continues to be earmarked to funding projects. Looking at the bilateral donors you mentioned, the EU, for example, in the current financial year (2006/07) 82 million Euros went to projects, particularly for road sector development and about 40 million Euros to budget support.*

Within the context of the Paris Declaration, nevertheless, GBS was going to be the dominant aid modality in the coming period of aid delivery to Uganda. This was further attributed to the fact that the general donor coordination, alignment and harmonization were being pushed for higher levels of attaining outcomes and such high level results. The level of input, activity and output processes ideally should be the responsibility of GoU (through her line ministries, agencies and other partners at that level). The EU support to GBS was to increase to a 50-50% ratio distribution, beginning with the FY 2007/08. The British aid support to Uganda was also anticipated to be at a 50-50% ratio in the same FY, unlike before where more funding was earmarked as project support. Even when such promises had previously been made, the practice, mood and mode of funding have inclined to project aid support. This was attributed to inefficiency of government planning, budget, procurement systems that often perpetuated corruption. A related donor perception was that GoU had not expressed political will to prosecute those officials that indulged in abuse of office, lack of accounting and general misuse of public resources. Hence better to place donor money in project where donor supervision was much nearer compared to GBS aid modality. Even when donor contradictions remain to be seen, there has been a move towards committing aid delivery as GBS.

### Table 4.2

*Share of Planned Aid Modalities by Development Partner, 2006/07*

![Table showing share of planned aid modalities](image)

Source: Aid Liaison Department, in a document by KARIN CHRISTIANSEN, et al, Uganda Donor Division of Labour Exercise, March 2007

#### 4.11 Backtracking of Donor Commitments

Other than the contradictions in project funding rather than GBS, the behaviour of donors is exposed further in the fact that, rather than honour commitments, they tend to back-pedal. Taking the FY 2006/07 as a case in point, budget aid levels were by far short of the planned aid disbursements. Part of the explanation here has been the fact that the GoU applied nominal terms (i.e. without discounting for inflation) when formulating the national budget.
A donor source suggested further that:

Based on our recent donor studies and discussions towards aid alignment, disbursement and harmonization, it is evident that there is a portion of aid that is reported to the GoU by development partners, but not captured and reflected in Uganda’s MTEF, the national budget and SWGs. This is precisely because it is not given to government institutions.

Through the study, it was also clear that though Uganda experiences off-budget aid, the reporting on the planned on-budget aid and subsequent projections over the MTEF still fell short of comprehensiveness. It was further cited as possible that some individual officials who provided information on aid support by a given donor under reported. This was attributed to lack of full information, particularly in cases of delegated partnerships (spending and policy dialogues). Such under-reporting eventually gets reflected over the MTEF and in Parliamentary reporting. In such circumstances, it was established that more than 30% of aid did not appear on the GoU budget estimates in any given Fiscal Year. Only the European Delegation in Uganda, Britain (DFID) amongst the donors that were of focus in the study disbursed more than 50% of their aid commitment. While The World Group demonstrates the widest involvement across the PEAP, it also maintains the highest average size of aid support per sector. In the general equation of aid alignment, harmonization and effectiveness, the issues of off-budget and on-budget to reflect a comprehensive picture of aid in Uganda ought to be streamlined. The table below demonstrates the instances of off-budget and on-budget aid support in Uganda.

Table 4.3 Level of Aid reported in the FDT versus Aid in the Budget

<table>
<thead>
<tr>
<th></th>
<th>Project Aid</th>
<th>Programme Aid</th>
<th>Project Aid</th>
<th>Programme Aid</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDT 2005/06 Cuttums</td>
<td>1234</td>
<td>567</td>
<td>890</td>
<td>123</td>
</tr>
<tr>
<td>FDT 2006/07 Planned</td>
<td>1239</td>
<td>567</td>
<td>890</td>
<td>123</td>
</tr>
</tbody>
</table>

Source: Aid Liaison Department, in a document by KARIN CHRISTIANSEN, et al, Uganda Donor Division of Labour Exercise, March 2007

4.12 Backlash Effect and the New Debt Trap

Such behaviour as above contributed to Uganda’s debt burden in the past. Even with the benefits accrued from the various debt relief initiatives like the HIPC 1 in 1997, Enhanced HIPC in 2000, MDRI in 2005 and borrowing on highly concessional terms, Uganda continued to pay large sums of money as amortization of external debt to the tune of US $80 million annually. These issues further necessitated that Uganda ought to improve the management of external resources, including aid (loans, grants or technical assistance) through Parliamentary approval and legal opinion of the Attorney General.

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10 Includes direct donor support to a government institution without going through the national budget systems, to local governments, civil society organizations, non-donor sources of aid, etc

The process of aid delivery also seemed to be a preserve of only the officials in Aid Liaison office, Directorate of Budget and Macro-economics department. This leaves out a whole spectrum of other key government institutions like Parliament and other non-state actors like the civil society organizations. Such behaviour and practices were prone to undermining the procurement, disbursement, alignment and harmonization and effectiveness efforts for aid delivery in Uganda, with a backlash effect of enslaving Ugandans further under the yoke of debt burden and trap.

4.13 Sectoral Under-funding

Some sectors of the PEAP were under supported. Over the MTEF, most aid was allocated to the sectors of Health, Disaster management and social recovery in northern Uganda. Other key aid support priorities were Education, Roads and Works as well Energy and Minerals. These, therefore, were amongst the most resourced sectors in Uganda with over UG X 400 billion.

While the highest level of aid congestion was reflected in the Health sector, most fragmentation of aid was in the Security, Public Administration and JLOS. Even though there was no single clear pattern and format of aid modalities in those sectors, most of the aid funding was earmarked as project aid. The least resourced sectors included Macro-economic, Financial sector management, and Tourism, Trade and Industry (relied on project funding with less than 40% from the national budget). The issue here to interrogate further is whether there are cases of fungibility; where the state may have relegated her responsibility since it seems to be sure of aid funding through project support or the state is genuinely unable to provide higher funding.

More so, there is a challenge of whether the GoU would wish to see a major sectoral shift in aid resource prioritization, allocation and utilisation, to ensure equitable distribution of domestic and externally generated resources for PEAP implementation. The sectors that were mainly aid resourced through the Sector Budget Support, Agriculture, Public Sector management and Water and Environment. Apparently, there was no indication of any major shift in the sectoral distribution for future funding. Worse still there seems to be no mechanism yet of addressing issues of aid congestion and fragmentation in aid delivery in Uganda. All these issues are likely to be addressed under the GBS aid modality.

Table 4.4 Share of GoU Budget and project aid support by Sector

Source: Aid Liaison Department, in a document by KARIN CHRISTIANSEN, et al, Uganda Donor Division of Labour Exercise, March 2007
4.14 Lack of Conceptual Clarity

Some members of the CSOs shared that a number of terms and aid jargon remained confusing and susceptible to being used interchangeably. Thus, this brought different meanings, conclusions and possibly actions. An example was how different PAF GBS was distinct from GBS. Some donors acknowledged that conceptual clarity of terms was indeed necessary for different categories of people interested in the debate on aid alignment, harmonization and effectiveness.

4.15 Foot-dragging in Delegation of Authority to Country Offices

Looking at the trends in the aid industry in the 1990s and 2000s amongst the bilateral donors to Uganda, the embassies/missions of Germany, European Union delegation, Britain and Sweden appreciated that there had been some relative increased responsibility and authority of the donor country offices to take decisions appropriate to the local context in Uganda. This, nonetheless, remained largely within the parameters of the mother country's strategic and other interests, even though this was getting rationalised through the UJAS and other alignment and harmonisation processes. A case in point was where responsibility and authority for DFID's programme in Uganda was devolved to the Uganda office. There was, therefore, less need for missions from the UK.

The European Delegation Uganda still noted that a new Country Strategy Paper (CSP) 2008-2013 under the 10th European Development Fund, where half of the aid support will go to PEAP implementation, especially macro-economic areas. It was further noted that the country office had received increased authority and responsibility to take decisions to suit the local context. This move, even then, seems to stem from the May 2000 European Commission to reform her delivery of external aid, referred to as ‘deconcentration’ or ‘devolution’. In line with the Paris Declaration, devolution in this particular case was aimed at improving management, monitoring and evaluation for aid effectiveness in Uganda and elsewhere. The issue in this case was that while the delegation was a member of UJAS, the final decisions were still being taken by the Head office in Brussels, even though the local technical implementation (work plans, operational monitoring, evaluation and reporting). At a broader level, the issue also is that the with the donor structures such as UJAS, one would expect to see more commitment to these structures that highly take on a local context. The extent in this case remains to be seen.

Summary of Major Issues, Questions and Challenges

Still, Uganda experiences off-budget aid, the reporting about the planned on-budget aid and subsequent projections over the MTEF continued to fall short of comprehensiveness. Further donor commitments and clarifications on expertise and sector lead roles were coming in the course of 2007 during a) discussions on streamlining Sector Working Groups alongside aid allocations and national budget systems and processes and b) final reports out of a recent baseline study on the Paris declaration on aid effectiveness in Uganda.

There are structural issues, where the PEAP as the overarching national development framework was not aligned to the structures of the national budget. Part of the strategies to overcome this hurdle was through the re-alignment and modification of the PEAP SWGs from 14 to 18. This was undertaken during the process of putting together the Budget Framework Paper, as a precursor to the draft revenue and expenditure estimates for eventual approval of Uganda's forthcoming Financial Year 2007/08 and resource allocations over the MTEF. The extent to which this may not breed a backlash through budget fragmentation remains to be seen.

Some of the bilateral donors during the study noted with concern that those missions that expressed interest and willingness in taking lead sector roles seemed to have followed their individual country strategic interests in Uganda and specific sectors, disregarding the point of comparative advantage. Some of the bilateral donors felt that a donor playing a lead sectoral role a) should have been previously actively engaged in the sector (experienced) b) have a credible and proven account of staff expertise and c) significant aid support to the sector (whether project support, SBS, GBS, technical assistance, etc).

So, to what extent would following such a criterion as above per se be rational? Would this not automatically make certain donors dominate virtually most sectors, a factor that was likely to create overload of a few donors, temptations of taking absolute decisions and making other donors and SWGs in general simply rubber-stamp certain actions?

\[2\] Includes direct donor support to a government institution without going through the national budget systems, to local governments, civil society organizations, non-donor sources of aid, etc.
There were concerns that the lead role, expertise and genuine involvement in a given sector should be at the forefront in streamlining leading donors in the sectors. This would emerge out of discussions of a relevant SWGs and consensus. There was also an issue of whether such leadership should be rotational, permanent and under what specific terms.

More to the above is that some of the donors were either reluctant or unable to provide information on their aid funding trends and volume, for example, over the MTEF. The fact that the national policy documents that are guiding planning and resource allocations in Uganda have gone beyond merely the PEAP to include the Rural Development Strategy (RDS) and the political manifesto of the incumbent National Resistance Movement (NRM) poses a challenge as to whether indeed the full implementation of the PEAP was likely to progressively be compromised. It, therefore, remains to be seen whether the donors will keep committed to the PEAP or the new document and development frameworks that have come to the limelight or even integrate all of them. Though the new frameworks do not seem to deviate fundamentally from the PEAP priorities, they provide for other specific areas that have an implication on national resource (domestic and external) and budgetary allocations.

There were concerns over some donors overstretching their portfolio (resource muscle/envelope and technical expertise) too thin on ground. Some of the bilateral donors that were of interest to the study had not been spared of this, DFID as a case in point. In this respect some donors were actively engaged virtually in every sector. In view of rationalizing transaction costs, comparative advantage, alignment and harmonization in the delivery of aid in Uganda, this issue ought to be streamlined.

The fact that International financial institutions and the bilateral donors still contributed about 40% to the national budget during the FY 2007/08 required that, as a signatory to the Paris Declaration on Aid effectiveness, Uganda needed to ensure that all aid (loans and grants) adheres to the national loan contraction and management processes. Aid by-passing such processes resulted into aid under-reporting and other cases of off-budget, to the detriment of the PEAP aspirations that aim at comprehensive development strategies.

In view of the above, GoU ought to have an aid delivery and utilization policy in place and show a strong commitment to fighting wastage, abuse and misuse of public resources through zero-tolerance to corruption and rational prioritization, allocation and utilization of domestic and externally generated public resources, for poverty reduction and national development. The process of aid delivery, nonetheless, seemed to be a preserve of only the officials in Aid Liaison office, Directorate of Budget and Macro-economics department, leaving out other key players such as the civil society organizations, private sector and Parliament, an issue that promotes exclusion.
5.0 RECOMMENDATIONS AND CONCLUSION

Below are the recommendations on how aid effectiveness and good donor relations could enhance aid effectiveness and make it more meaningful and development focused in Uganda.

5.1 General Recommendations

- Even though Uganda as the recipient of donor assistance may not have adequate financial muscle to enable fund the PEAP, it should have the latitude to determine and implement policies that the country deems fit in making her citizens a priority. In-other-words, GoU's planning framework and consultations in the identification of priorities must be driven by the national interests as enshrined in the PEAP.

- Donor support should be discussed and focused to the implementation of the PEAP, rather than attaching eco-
nomic and political conditionalities that have quite often not been in favour and full agreement of Uganda. In this spectrum, nonetheless, GoU must commit itself to promoting the key tenets of the Paris Declaration on aid effectiveness, PEAP aspirations and democratic benchmarks, such as public accountability (through strengthening the capacities of public finance management institutions), promotion of citizens' participation and respect for human rights.

- More donors should hasten the decision to subscribe to the partnership principles in the UJAS. This will go in as far as donor harmonization is concerned.

- The emphasis on the government accounting to the donors seems to be more apparent than to her citizens. Both downward and upward accountability are equally critical, if the government is to assert her legitimacy. There was an apparent observation about the high level willingness of the donors to improve communication and information sharing amongst themselves through the various donor grouping and structures, in the alignment and harmonization of aid delivery in Uganda. Whereas mutual accountability amongst the donors and between donors and GoU, the same zeal is not reflected in accounting to the citizenry. An opportunity for this to happen is presented in the discussions about Sector Working Groups, during 2007.

- The case of increasing use of project support in Uganda over the MTEF should be re-visited since it contradicts one of the government-donor partnership principles and Paris Declaration on aid effectiveness, where stand-alone donor projects should be discouraged.

5.2 Specific Recommendations

- During the 2007 discussions on the SWGs, the donors should aim at being flexible in streamlining their portfolio in aid support and delivery to Uganda. Rather than be a leader in virtually all the sectors of the PEAP considerations should go to rationalization and division of labour, based on an agreed upon criterion. This discussion should further yield results on spreading expenditure across sectors, to avoid congestion and fragmentation of aid, in the broader framework of making aid effective in Uganda.

- Various cordial meeting should not only be held with a few specialized department in MoFPED such as Budget Directorate, Macro-economics department and Aid Liaison office but also line ministries and non-state actors, in the course of streamlining SWGs, budget systems and processes. This will draw a joint understanding and conceptual clarity of key terms of aid, clarity of aid modalities and justification as applicable to a given sector, in line with the sector Objectives and eventual PEAP priorities.

- The MoFPED should take a lead role in ensuring that the revised and proposed 2007/08 SWGs are aligned to and harmonized with the PEAP, existing SWGs guidelines and practices, planning processes, MTEF, procurement, budget systems and reporting processes, as one of the basic areas for aid delivery and effectiveness in Uganda. This should not be a closed discussion between the donors and GoU, but be wide consultative in nature to streamline working relationships and workable SWGs.
GBS should be emphasized as the dominant aid modality, guided by GBS dialogues, sector reviews, PER and the APRI process. The APRI process should be prepared for early enough to avoid a rush that is susceptible to limiting stakeholder participation.

The donors in Uganda need to discuss mechanisms for ensuring on-budget aid delivery, for informed and comprehensive national planning and capture in the budget processes, sector budgets and policy decisions on aid alignment and harmonization for greater performance and effectiveness. There should be a closer linkage with the Aid Liaison office in the MoFPED with the donor community.

Donors should be clear and communicate their current and future aid commitment to guide national planning and budget processes. Donors should walk the talk and be more pragmatic in their commitments and disbursement of aid, to avoid panic and confusion, unpredictable behavioural change through budget cuts and/ or suspension. Otherwise the GoU will always be held for a ransom as it fails to deliver a basket of goods and services on its commitments to the citizens as the first constituencies.

Along the annual events such as the PER and APIR processes, there should be an annual/ or periodic mechanism to assess the performance or the Paris Declaration on aid effectiveness for Uganda. The initial efforts already undertaken, such as the baseline study, should be scaled-up further and linked to the periodic sector reviews such as the Joint Annual Review of Decentralization and Annual PMA Review.

All aid (loans and grants) in Uganda should be aligned to adhere to the loan contraction processes in Uganda. Aid by-passing such processes results into aid under-reporting and other cases of off-budget, to the detriment of the PEAP aspirations that aim at comprehensive development strategies. Government should in this case have an aid delivery and utilization policy in place.
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ANNEX 1
Respondents
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Ms Agnes Ndamata, Deputy Country Manager, Governance
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