

A Multi-Partner Evaluation of the Comprehensive Development Framework

**Evaluation of the Comprehensive
Development Framework (CDF)**

Uganda Case Study

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Abbreviations and Acronyms	

AfDB	African Development Bank
BFP	Budget Framework Paper
CAO	Chief Administrative Officer
CAPEP	Capacity and Performance Enhancement Program
CDF	Comprehensive Development Framework
CEM	Country Economic Memorandum
CG	Consultative Group
CSO	Civil Society Organization
DDP	District Development Plan
DENIVA	Development Network of Indigenous Voluntary Associations
DFID	Development for International Development
DP	Development Partners
EPRC	Economic Policy Research Center
EU	European Union
GDP	Gross Domestic Product
GOU	Government of Uganda
HIPC	Heavily Indebted Poor Countries
IDA	International Development Agency
IDGs	International Development Goals
IGG	Inspector General of Government
IHS	Integrated Household Survey
IMF	International Monetary Fund
JSR	Joint Sector Review
LC	Local Council
LTEF	Long-Term Expenditure Framework
MDA	Ministries, Departments, and Agencies
MDGs	Millennium Development Goals
MFPEP	Ministry of Finance, Planning and Economic Development
MP	Member of Parliament
MTCS	Medium-Term Competitive Strategy
MTEF	Medium Term Expenditure Framework
NAP	National Planning Authority
NGO	Non-Governmental Organization
OED	Operations Evaluation Department

ODA	Official Development Assistance
ODI	Overseas Development Institute
OOB	Output-Oriented Budgeting
PAF	Poverty Action Fund
PAPSCA	Program to Alleviate Poverty and Social Costs of Adjustment
PEAP	Poverty Eradication Action Plan
PEWG	Poverty Eradication Working Group
PIU	Project Implementation Unit
PLE	Primary Leaving Exam
PMA	Plan to Modernize Agriculture
PMAU	Poverty Monitoring and Analysis Unit
PMC	Poverty Monitoring Committee
PMN	Poverty Monitoring Network
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSR	Poverty Status Report
PTA	Parent-Teacher Association
RDC	Resident District Commissioner
ROM	Results-Oriented Management
SIP	Strategic Investment Plan
SWAps	Sector-Wide Approaches
SWGs	Sector Working Groups
TA	Technical Assistance
UBOS	Uganda Bureau of Statistics
UDN	Uganda Debt Network
UK	United Kingdom
UMA	Uganda Manufacturers Association
UNDP	United Nations Development Programme
UPE	Universal Primary Education Initiative
UPPA	Uganda Participatory Poverty Assessment
UPPAP	Uganda Participatory Poverty Assessment Process
USA	United States of America
USAID	United States Agency for International Development

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The case study team is responsible for the report and any errors of commission or omission. Individual team members contributed the following components of the report:

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Executive Summary

1. This report presents the findings of an international team that has reviewed the experience of Uganda in implementing the principles of the “Comprehensive Development Framework” (CDF). Uganda is the first of six country case studies being conducted as part of a global multi-stakeholder evaluation of implementation of the CDF.

2. The CDF concept, which was first articulated by the World Bank President in January 1999, comprises a set of principles that a number of developing countries and development assistance agencies have been seeking to put into practice to improve the effectiveness and impact of the global aid system. The principles on which the CDF is based—*long-term, holistic development framework; country ownership; country-led partnership; and results orientation*—are distilled from development experience over the last five decades. The multi-stakeholder evaluation aims to identify the factors that favor and inhibit their successful implementation in a number of countries.

3. The Uganda case study was conducted during a mission undertaken between October 25 and November 23, 2001. Through individual and group interviews and a questionnaire survey, team members elicited the views of more than 150 central and local government officials, parliamentarians, representatives of civil society and private sector organizations, and local donor representatives. The findings are structured around the four principles of the CDF, which will provide a framework for comparison and analysis among all the case study countries.

4. Uganda has four special characteristics that have forcefully shaped its development experience in general and its implementation of the CDF in particular.
 - 1) *The origins of applying CDF principles in Uganda can be traced back more than a decade ago.* Beginning in 1989, a series of increasingly country-owned economic reforms was put in place. And in 1995, out of concern about apparent lack of progress in reducing poverty, Uganda embarked on a participatory process to formulate a poverty-focused, long-term holistic development framework. The process culminated in the 1997 *Poverty Eradication Action Plan (PEAP)*. Thus, when the CDF concept was put forward in 1999 and Uganda agreed to be a CDF “pilot country,” it served to reaffirm an ongoing implementation of CDF principles.
 - 2) *Uganda’s recent history leads people to highly value stability and security.* The collapse of the economy and society during the period 1971-85 has shaped both politics and economics since 1986, placing a strong emphasis on stability. The drive to employ CDF-like principles in Uganda has been shaped by the authorities’ strong aversion to any situation or condition that might threaten a return to the chaos of the past.
 - 3) *Uganda’s high aid inflows are both a blessing and a challenge for long-run development.* Donors have responded to Uganda’s effective aid management, reflecting CDF principles, by sharply expanding their assistance and structuring a growing share as sector and general budget aid. But donors see this type of aid as more vulnerable than project aid to concerns about political and accountability issues. With donor inflows in the form of budget support currently financing more than 50% of all recurrent and domestic development expenditures, exchange rate appreciation and debt unsustainability have also emerged as issues, the latter issue aggravated by lowest-ever coffee prices and other adverse shocks to exports.

- 4) *Poverty reduction in Uganda has been impressive but challenges to sustainability lie ahead.* After the stabilization and liberalization reforms of the early 1990s, economic growth accelerated and absolute poverty declined markedly—from 56% in 1992 to 35% in 2000. Sustained progress will require Uganda and its development partners – domestic and external— to address three fundamental challenges.

First, *the quality of public service delivery will need to improve to meet the demand unleashed by decentralization and the emerging participation of civil society in monitoring development efforts at the local level.*

Second, *the private sector needs to be enabled to perform better its role as the engine of growth and exports.*

Third, *growing regional disparities are a source of concern, particularly in the North, where, in contrast to other regions and the country as a whole, absolute poverty increased to 67% in 2000.*

Addressing these challenges, among other things, entails complex institutional reforms, and will depend in particular on vigorous application of certain elements of the CDF principles, such as widespread stakeholder consultation and the generation, monitoring, and use of information on outputs and outcomes.

5. The following discussion of Uganda’s key achievements and challenges in applying each of the CDF principles is organized by the three groupings of evaluation questions used in the case study Terms of Reference (Annex B) and in the CDF Evaluation *Design Paper* (CDF Evaluation Secretariat 2001: 13-16).

- Implementation. What has been done to implement this principle and when, how, and why did it happen?
- Intermediate results. What have been the intermediate results in terms of changes in behaviors and practices?
- Higher level impact. What discernible evidence is there of higher-level impact of implementation of one or a combination of CDF principles on resource mobilization and development outcomes and goals?

Long-Term Holistic Development Framework

Implementation achievements:

6. *The overarching role of the PEAP.* The PEAP is well established as the most authoritative, operationally relevant strategic framework for Ugandan development. It is known throughout central government and at district levels, in Parliament, and by major civil society organizations (CSOs) and private sector representatives. As stated at the beginning of the revised PEAP: “The Revised Poverty Eradication Action Plan (PEAP) is Uganda’s Comprehensive Development Framework.” Implementation of the PEAP has had the following characteristics:

- 1) The PEAP is *comprehensive* in its articulation of goals aimed at poverty eradication. Its sub-goals overlap considerably with those of the Millennium Development Goals (MDGs), but several of its key targets are more ambitious than the MDG targets.
- 2) The PEAP has *practical relevance* because of the inclusion of Sector Action Plans covering periods of 5-10 years. Bringing together stakeholders from government, civil society, and donors working in a sector has, over time, resulted in the formulation of realistic strategies by linking plans with resource availability.

- 3) The PEAP gives balanced sectoral coverage to four pillars: economic growth, governance, rural incomes, and quality of life. However, there is a perception among some stakeholders, reinforced by data on budget shares, that in implementation more attention has been given to the “quality of life” pillar (mainly education, health, water and sanitation) than to the other three pillars.
7. Intermediate results of PEAP implementation:
- 1) The PEAP’s linkage to the Medium Term Expenditure Framework (MTEF) has given the PEAP more impact. Strong leadership, supported by a stable macroeconomic environment, has bound spending agencies to a *hard budget constraint*.
 - 2) The PEAP is a *living framework*, to be revised periodically to take account of changes in the needs and circumstances of the poor as identified by reliable data.
 - 3) Summaries of the government’s PEAP and *Poverty Status Report* serve as Uganda’s *Poverty Reduction Strategy Paper* (PRSP) and *PRSP Progress Report*, respectively.

Resource mobilization impact:

8. *Innovative use of increased fiscal space from debt relief and donor support to target poverty.* The creation of the Poverty Action Fund (PAF) in 1998 as a channel for HIPC debt savings reinforced the emphasis on poverty eradication contained in the PEAP and reinforced the PEAP as the document containing the government’s long-term strategy.

Challenges:

9. *Financing the PEAP and managing expectations.* It is not likely that all programs in the PEAP can be financed in the medium term. This will require some difficult decisions regarding reprioritizing existing spending, mobilizing additional resources, cutting costs, and/or scaling down and stretching out some PEAP targets. Particularly firm budget discipline will be required. A Long-Term Expenditure Framework (LTEF) could help ensure that the size and timing of allocations are in line with PEAP costings.

Country Ownership

Implementation achievements:

10. *Unwavering commitment to reforms from top leadership.* The top political leadership in Uganda has since 1992/93, when inflation was brought under control, shown a firm commitment to priority macroeconomic reforms and a strategic development plan that addresses poverty. It has also empowered other leaders and institutions within the government to design and deliver on strategies for poverty eradication.
11. *Lead institution with a highly capable team to guide and build on previous reforms.* Guided by a visionary top leadership and a highly capable economic team, the Ministry of Finance, Planning and Economic Development (MFPED) built on its successful implementation of macroeconomic reforms in assuming the role of lead architect for the PEAP. In doing so, it has motivated leadership in line ministries and has coordinated among different stakeholders in analyzing, monitoring, and targeting poverty. MFPED has also been instrumental in the move toward sector-wide planning, effectively linking budgeting with the strategic investment plans of sector ministries.

Intermediate results:

12. *No policy reversals.* Since the early 1990s, when backsliding on macroeconomic reforms led to a resurgence of inflation, policy reforms have been sustained. This reflects strong leadership commitment as well as broader popular support for the reforms (but by no means universal).

13. *Devolving power and decisionmaking from the central to local government levels.* The sweeping decentralization mandated by the Local Governments Act of 1997 is reinforcing country ownership by giving local governments, and the citizens who elect them, control over a wider range of policies and decisions.

14. *Broadened ownership through engaging the participation of civil society.* Stakeholder interviews, questionnaire survey results, and pertinent documents consistently attest that the government has broadened country ownership by involving civil society in:

- a) formulating successive versions of the PEAP;
- b) undertaking the annual budget process; and
- c) monitoring the performance of the PAF.

Challenges:

15. *The twin challenges of strengthening local government capacity and “letting go” by the center.* In addition to unconditional grants, the central government provides financing to districts in the form of conditional grants. Although conditional grants enable the central government to ensure that expenditures are consistent with the PEAP, it also reduces local governments’ ability to respond to changed circumstances.

16. However, giving local governments greater freedom in resource allocation will first require:

- a) strengthening weak capacity at local government levels in ways that are demand (community)-led and gender responsive;
- b) improved accounting and tracking of the flow-of-funds;
- c) better timeliness of arrival of funds to local governments and facilities (e.g. schools); and
- d) improving conditions of employment for local staff, especially in remote, hardship areas.

17. *Increasing domestic revenue to reduce aid dependency.* Country ownership would be further reinforced when the budget becomes less dependent on external financing. This requires sustained economic growth and/or increasing the current low share of domestic revenues in GDP. Considerable scope remains for increasing the share through improving tax collection efficiency. The government has not formulated a plan for reducing aid dependency.

18. *Creating a positive enabling environment for the private sector.* Uganda’s policy calls for private sector-led growth and all parties agree that the high priority accorded by the *Medium-Term Competitive Strategy* (MTCS) to removing remaining obstacles to private investment and exports is merited. Beyond that, though, the government will have to balance the private sector’s desire for more proactive support with measures that would risk costly misallocation of resources into uneconomic investments.

19. *Reaffirming the role of civil society.* A new NGO Registration Bill (Amendment) is likely to be tabled in Parliament in 2002. The proposed legislation could reaffirm the participation of NGOs in the development process, but potentially restrictive provisions regarding registration could curtail the role of NGOs.

20. *Evolving role of Parliament.* The Budget Act of 2001 has expanded the role of Parliament in the budget process. The insertion of Parliament into the resource allocation process at an earlier stage has generated concern that hard budget constraints will be difficult to maintain. The creation by the Act of a new standing Budget Committee and supporting Budget Office also has the potential for contributing to constructive engagement with MFPED, thereby broadening country ownership without weakening the long-term, holistic development framework.

Country-led Partnership

Implementation achievement:

21. *Enhanced country-led partnership envisioned by PEAP 3.* The recently issued third volume of the PEAP, *Building Partnerships to Implement the PEAP* (GOU 2001b), details a series of measures intended to strengthen country-led partnership.

Intermediate results:

22. *Donor assistance aligned with the PEAP.* Several factors have resulted in better alignment of external aid with the PEAP: (1) the rigor of the budget process linking the PEAP to the MTEF; (2) increased effectiveness of the Aid Liaison Department and the Development Committee in screening and reviewing projects; (3) increased budget support by donors, currently accounting for almost half of all aid flows to Uganda; and (4) moves by donors still providing project support to ensure alignment with the PEAP.

22. *Progress of SWAps and the PRSC.* A significant institutional innovation for promoting alignment with the PEAP is the Sector-wide Approach (SWAp), which requires all partners to think and act in sector-wide terms. A SWAp typically includes a sector policy, a mutually agreed long-term Strategic Investment Plan, and an established joint sector review (JSR) mechanism. SWAps in Uganda have also led to a relatively high degree of budget support and procedural harmonization, as in the education and health sector SWAps, where 50% of aid is in the form of budget support and where, for the most part, donors accept the report of the JSR as fulfilling their own reporting requirements. The Uganda Poverty Reduction Support Credit (PRSC) provides budget support within the framework of a policy matrix that has an initial focus on three SWAp sectors (education, health, and water), but also includes cross-cutting public sector reforms.

23. *Broader mandate for budget sector working groups (SWGs).* The government has requested that budget SWGs, which have traditionally only met during the budget process to formulate sector Budget Framework Papers, meet on a continuing basis to oversee development of sector strategies, ensure that project proposals are consistent with strategies, and monitor and evaluate progress.

Challenges:

24. *Fungibility of budget support.* Budget support aid is perfectly fungible and obviously so. This makes budget support aid particularly vulnerable to adverse reactions from donor capitals to an escalation in defense expenditures, border conflicts or corruption. The government has accepted the challenge of addressing this concern.

25. *Expanding the SWAp frontier.* The PEAP indicates that it will be implemented through SWAps, to be developed over time in all major sectors. Developing a coherent sectoral approach will be particularly challenging for groupings that include many different Ministries with differing interests and competing budgetary claims (e.g. Public Administration) and for those that

achieve impact through close collaboration among several Ministries (e.g. Social Development). Differences among stakeholders over strategic priorities may also be greater in some sectors (e.g. Agriculture) than in others. The second PRSC (PRSC 2) will provide a framework and processes that could strengthen the type of collaboration and coordination required.

26. *Making further headway on harmonization of procedures and practices.* While SWAs—especially in education and health—have resulted in improvement, divergent budgeting, disbursement, procurement, reporting, evaluation, and safeguard procedures and practices, along with a massive donor project portfolio, they still constitute a transaction costs burden on the government.

27. *Partnership in capacity building for improvement of service delivery.* The challenge for government and its development partners is to find more effective ways of supporting demand-led capacity building at central and local levels for both implementation and accountability purposes. A corollary challenge is to let go of structures associated with supply-driven technical assistance that tend to undermine capacity, such as project implementation units.

28. *Managing the transaction costs of partnership.* The benefits of aid coordination mechanisms in Uganda continue to exceed the costs, especially at the sectoral level. But the costs are not trivial, either for donors or the government. In preparation for the second Poverty Reduction Support Credit (PRSC), the government is reviewing cross-sectoral coordination mechanisms with a view to streamlining them.

29. *Mutual performance assessment.* Mutual assessment by both government and development partners of each other's performance currently takes place in varying degrees through sectoral and cross-cutting coordination mechanisms. A "Workshop on Partnership Principles" held in September 2001 constituted one instance of a cross-sectoral review of the performance of all partners in development cooperation. The periodic holding of such a review would provide a means for continuing refinement of objectives, establishment of baselines, and mutual assessment of progress toward country-led partnership.

Results Orientation

Implementation Achievements:

30. *Monitoring and analysis of results on the ground is a key feature of the PEAP.* Demand to *analyze and use* results information emerged as part of the processes of PEAP formulation after 1995. Additional elements that stimulated demand were the PAF, decentralization (propelled by the Local Governments Act of 1997), and the increased involvement of civil society in monitoring performance and results. The information requirements of donors have also stimulated capacity for the collection, but not necessarily the analysis and use, of results information.

31. *The new Poverty Monitoring and Evaluation Strategy is a milestone.* This strategy, to be submitted to the cabinet in March 2002, has a medium- and long-term focus and is comprehensive in its coverage of government systems. Salient elements of the strategy include a systematic assessment of the performance of the national budget process and strengthened tracking of funds to priority areas identified in the Poverty Action Fund (PAF).

32. *Uganda's poverty eradication goals and targets, similar to the MDGs and associated targets, are set within the framework and time horizon of the PEAP and related documents (e.g. the Education Strategic Investment Plan).* In several cases –poverty, education, HIV/AIDS, and

safe water— Uganda’s targets are *more ambitious* than MDG targets. Progress so far suggests they are achievable, but sustainability of progress assumes that requisite financing is forthcoming and that quality issues are satisfactorily addressed (e.g. in education and water and sanitation).

Intermediate Results:

33. *The role of civil society in monitoring results information.* The involvement of both government and CSOs in monitoring the use of PAF funds has become a significant force for increased transparency in the use of funds. Representatives of civil society view monitoring of public expenditure by communities as potentially one of the most important initiatives for improving the quality of services to the poor.

Challenges:

34. *Achieving Fiduciary Assurance.* Significant and widespread corruption, reported in surveys and anecdotal accounts, is a major concern for the government and among development partners. It constitutes an impediment to greater foreign investment and official aid in the form of budget support. Pay reform will reduce one incentive for corruption but a continuing challenge will be to vigorously pursue complementary measures, including those in the existing anti-corruption campaign as well as efforts to reform the procurement system, strengthen financial tracking, and increase transparency of accounts at all levels. PRSC 2 will be providing additional support to these efforts.

35. *Adoption of processes to monitor effective service delivery is yet to be institutionalized.* Key informants in the government reported the need for conducting more “value for money audits” in order to improve delivery of services to the poor. Weak culture and incentives to generate and use results information at the operational level were also cited. If CSOs are to play a larger role in monitoring service delivery, they will also need support for capacity strengthening.

36. *Using Results Information: OOB and ROM.* Uganda is a pioneer among low-income countries in introducing two major instruments for using results information to improve performance: Output-Oriented Budgeting (OOB), which feeds results information into the budget process, and Results-Oriented Management (ROM), which feeds results information into institutional and individual performance appraisal processes. However, neither system is fully operational. To maximize the impact of the two systems, they should be integrated or aligned, but they have developed independently in two different ministries. PRSC 2 is to support a series of steps intended to bring about better alignment of the two initiatives.

Sequences and Reinforcing Relationships Among CDF Principles

37. *The importance of sequencing and reinforcing relationships among CDF principles* emerges from a review of Uganda’s experience. First came *ownership*, exemplified by a country decision that basic macroeconomic and market liberalization reforms were essential. This was followed by the elaboration of a *holistic development strategy*, the PEAP, which in turn was firmly anchored in the MTEF, where it was applied with hard budget constraints. These achievements in turn encouraged development partners to shift their approaches and practices in directions that strengthened *country-led partnership*. The moves toward budget support and SWAs have reinforced country ownership. Finally, the combined impact of applying the three CDF principles has required that more attention be paid to *results orientation*.

Budget Support, Aid Quality, and Fiduciary Assurance

38. The greater vulnerability that donors attach to providing budget support aid has already been mentioned. Budget support is higher quality aid from the perspective of the Ugandan government. Benefits include flexibility in allocating aid between recurrent and development costs and lower transaction costs in managing and reporting than for project aid. Recognizing the benefits as well as the vulnerability, several donors have been persuaded that sufficient progress on fiduciary assurance (accounts transparency and financial tracking) has been made to justify providing general budget support aid. The PRSC provides a framework for monitoring further progress. The challenge for other donors is whether they are prepared to follow the same approach.

1. Introduction

1.1 This report presents the findings of an international team that has reviewed the experience of Uganda in implementing the principles of the “Comprehensive Development Framework” (CDF). Uganda is the first of six country case studies being conducted as part of a global multi-stakeholder evaluation of implementation of the CDF.

1.2 The CDF concept, which was first articulated by the World Bank President in January 1999, comprises a set of principles that a number of developing countries and development assistance agencies have been seeking to put into practice to improve the effectiveness and impact of the global aid system. The principles on which the CDF is based—*long-term, holistic development framework; country ownership; country-led partnership; and results orientation*—are distilled from development experience over the last five decades. The multi-stakeholder evaluation aims to identify the factors that favor and inhibit their successful implementation in a number of countries.

1.3 Uganda was selected as a case study for several reasons, including its status as a “CDF pilot country” (as agreed by Ugandan and World Bank leadership in 1999); the substantial growth of aid flows to Uganda over the last decade; and interest on the part of Ugandan authorities.

1.4 The case study has assessed implementation of the four CDF principles individually and in tandem. A set of evaluation questions based on the *CDF Evaluation Design Paper* (CDF Secretariat 2001) was translated into interview protocols and a questionnaire survey. The questions were intended to elicit from the perspectives of key stakeholders:

- the extent to which CDF principles are being applied and why;
- the impact on aid quality on the ground in terms of intermediate behaviors and practices;
- evidence of higher level impact in terms of resource mobilization and allocation, and development outcomes and goals; and
- lessons that emerge for improving the impact of development assistance as a whole.

1.5 Team members undertook fieldwork in Uganda during the period of October 24 – November 23. The Uganda case study was conducted during a mission undertaken between October 25 and November 23, 2001.¹ Through individual and group interviews and a questionnaire survey, team members elicited the views of more than 150 central and local government officials, parliamentarians, representatives of civil society and private sector organizations, and local donor representatives. The findings are structured around the four principles of the CDF, which will provide a framework for comparison and analysis among all the case study countries.

1.6 Subsequent sections of the report cover historical context, Uganda’s experience in implementing the CDF principles, sequential and reinforcing relationships, and key dilemmas and challenges. Available separately are a discussion of methodology; in-depth reviews of four sectors—education, health, water/sanitation, and the rural sector; case study terms of reference; summary questionnaire survey results; and lists of documents reviewed and persons interviewed. These papers will be annexed to the final case study report.

¹ The full team of four members was in Uganda for about 2 weeks: October 31 through November 15, 2001. One member continued in Uganda through November 23.

2. The Uganda Experience: Historical Context

Background

2.1 Any review of Uganda's experience needs to be set against the backdrop of collapse of both the Ugandan economy and society during the period 1971-85 as a result of a combination of economic mismanagement, civil wars, mass murder and mass emigration. This has shaped both politics and economics in Uganda since 1986, placing a strong emphasis on stability and security. It is important to bear this in mind when looking for lessons learned during the time that Uganda has been employing CDF-like principles. The drive to employ them has been shaped by a strong aversion by authorities to any situation or condition that might threaten a return to the chaos of the past.

2.2 Uppermost in the minds of the government that came to power in 1986 was a desire to improve the prospects of internal peace. At a political level, the government attempted to do this by restoring freedom of expression and the rule of law and including potential opponents in government. Diversity was recognized by, for example, restoring kingships, which helped to defuse any sense that one tribe was being favored over another. Demobilization took place in an orderly fashion with demobilized soldiers providing transitional assistance. Collier and Reinikka suggest that these actions greatly reduced the risk of conflict in Uganda after 1986 (Collier and Reinikka 2001:21-24).

2.3 Internal security also depended on economic recovery since lack of economic opportunities might lead people to seek other ways of securing wealth. As detailed below, the drive for economic stability is most evident in the efforts to tackle inflation. This has been achieved by controlling government expenditure, which has often required tough decisions on cuts during the financial year. The reward, however, has been single-digit inflation since 1994.

2.4 With stabilization achieved, the focus since 1995 has been on poverty eradication. As detailed below, a reduction in the poverty headcount by almost 40% between 1992 and 2000 has been a major achievement. Reducing substantial regional disparities, especially in the North, remains a major challenge, as does sustained improvement in health status.² An additional challenge is the need to build capacity at local levels for decentralization to deliver improvements in service quality and in socioeconomic status.

Progress

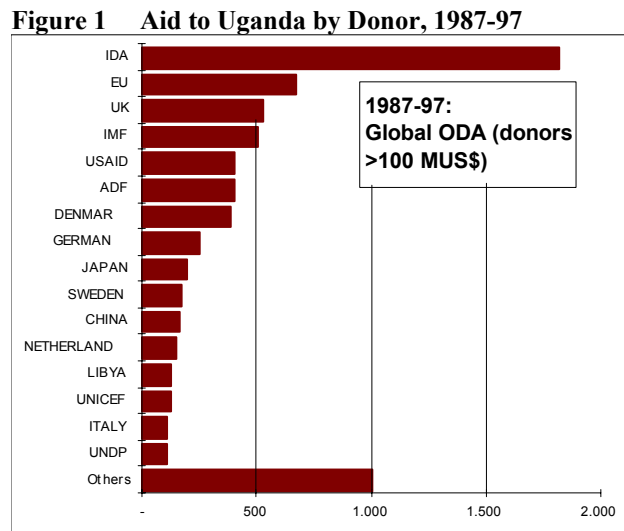
2.5 The economic building block for future progress has been the achievement of macroeconomic stability. This was achieved from 1992 onwards following a fiscal crisis in the previous year. The foundations for economic stability had been laid earlier in the development of fora to discuss economic reforms, which led to wholly Ugandan-owned changes to, among others, the foreign exchange market management and expenditure management. In the late 1980s, there was a split among policymakers between those who favored liberalization of the economy and those who supported maintenance of controls on key economic variables. The Presidential Economic Council provided a forum for debate between ministers holding economic portfolios and senior officials. A significant event was the 1989 seminar that brought together academics, politicians, and officials to discuss economic reform for the first time. These two forums provided the foundations for key reforms of foreign exchange market management and public expenditure management by legalizing the parallel (Kibanda) market, and introducing economic structural reforms (Holmgren et al 1999:20; Henstridge and Kasekende 2001:51-53).

² Improvement in health status will, among other things, require sustaining the recent immunization campaign, as well as maintaining the progress in reducing HIV/AIDS sero prevalence rates.

2.6 The rise in inflation in 1991/92 to an eventual monthly peak of 10.6% in April 1992 (annualized rate of more than 200%) reinforced attention to the economy. The increase in inflation stemmed from excessive growth in domestic credit arising from a failure to control government expenditure and borrowing. It was exacerbated by delays in donor disbursements and revenue shortfalls. In response, the Ministry of Finance was merged with the Ministry of Planning and Economic Development. The top management of the merged Ministry was comprised of officials from the former Ministry of Planning and Economic Development, which had earlier advocated stabilization policies. They introduced significant cuts in expenditure that stopped the increase in credit to the government and, soon afterwards, the rise in inflation (Holmgren et al 1999:21; Henstridge and Kasekande 2001:56-57).

2.7 The new management of the Ministry of Finance and Economic Planning also introduced reforms that were designed to prevent a recurrence of fiscal laxity that led to not only the inflation of 1991/92 but earlier bouts of inflation in the second half of the 1980s. The president explicitly mandated the Ministry to do this by matching spending to resources. This it did by monitoring and regulating cash flow, whereby monthly releases were based on projections of revenue inflows (Henstridge and Kasekande, p. 58-70). This applied to the recurrent budget and that part of the development budget that was financed by the government.³ Because the president had charged it with the responsibility of delivering price stability, any extra demands for spending have only been met by making equivalent reductions elsewhere in the government budget.

2.8 Donors have disbursed significant amounts of aid in response to the efforts of the government to stabilize the economy and stimulate growth, as can be seen from Figure 1 below, which covers 1987-97. The World Bank has been by far the largest provider of aid, reflecting Uganda's focus on pursuing structural reforms. Other significant donors have been EU, UK, IMF, USA, African Development Fund, and Denmark. (Henstridge and Kasekande (2001:67) report that although the timing of disbursements may be unpredictable, since the introduction of the cash budget system in 1992 there has been no shortfall in donor resources.



Source: DFID Poverty Evaluation, Uganda Case Study, *forthcoming*

³ The recurrent budget covers recurring expenditures such as interest payments and wages, while the development budget in theory, covers capital and other non-recurring expenditures, but, in practice, includes all aspects of donor project expenditures whether capital or operations and maintenance.

2.9 The results of this combination of macroeconomic stabilization allied to significant donor flows have been impressive. Annual inflation has fallen significantly, from more than 40% in 1992 to single figures two years later, where it has stayed ever since. Average annual inflation was 3.4 percent in 2000. The average rate of GDP growth has been about 6.4 percent per annum, 1990/91-1999/2000, resulting in an annual 3.3 percent increase in GDP per capita. GDP growth was 5.1% in 1999/2000 and is projected to be in the range of 5.5 to 6.0 % in 2001/02.

2.10 The private sector has responded to the improved macroeconomic climate. Private investment as a share of GDP increased from 7.8 percent in 1990/91 to a peak of 12.8 percent in 1996/97.⁴ Since the early 1990s tariff and non-tariff barriers to regional trade have been greatly reduced, all restrictions on international capital transactions have been removed, and about two-thirds of Uganda's public enterprises have been privatized. Industry and services have led the growth of the past decade, with agriculture's contribution generally being less. In 1999/2000 growth rates were 8.6% for industry, 5.6% for services, and just 3.0% for agriculture, which suffered from drought. Coffee wilt disease and a sharp decline in coffee prices also affected earnings from Uganda's main export.

2.11 The achievement of macroeconomic stability and growth has been translated into a reduction of poverty (headcount index) from 56% in 1992 to 35% in 2000, and Uganda is on course to meet its target, contained in the Poverty Eradication Action Plan (PEAP) of eradicating extreme poverty by 2017 (measured as reducing poverty levels to just 10%). In spite of this progress, the average per capita income in Uganda is only now restored to about the level achieved in 1970, somewhat more than US \$300. There are also significant regional disparities in poverty, with the incidence of poverty in 2000 being 66 percent in the north compared to just 20 percent in the central region.

2.12 Poor people themselves, according to the report of the Uganda Participatory Poverty Assessment, use a broader definition of poverty. This covers tangible aspects, such as lack of basic necessities and productive assets, and non-tangible characteristics of poverty, such as lack of social networks and being a member of a disadvantaged or marginalized group. While internal security is far greater than during the 1970s and early 1980s, insecurity was still perceived as a significant problem both at household level (for example, wife beating) and at community level (for example, thefts or insurgency in some border areas). At the household level, the poor saw large families as a cause of poverty, as well as excessive alcohol consumption and domestic violence. Other contributory factors were lack of access to markets, and limited basic community services like schools, health, and roads. (GOU 2000b)

2.13 Progress in improving social indicators has been much less than in the areas of macroeconomic stabilization, poverty reduction and internal security. The introduction of Universal Primary Education (UPE) in 1997 led to an increase in primary school enrollment from 2.5 million in 1994/95 to 6.7 million in 1999/2000. However, it has proved more difficult to improve quality, with both the pupil-teacher (65:1) and pupil-classroom ratio (125:1) being high in government-aided primary schools. The current literacy rate stands at 65% with male literacy (74%), much higher than that of female (57%). The literacy rate increased in the latter part of the 1990s, but improvement has been slow, with actual declines in the north. Insecurity is probably

⁴ This share has fluctuated since then between 12.8% in 1998/99 and 11.3% in 1999/2000, still considerably below the Sub-Saharan African average of 20%.

the biggest single reason for persistent poverty in the North, making development virtually impossible in some areas.

2.14 Adult mortality rates and life expectancy have been adversely affected by HIV/AIDS, with life expectancy falling from 51 years in 1992 to 40 in 2000. Sero prevalence rates have, however, fallen from 30% in 1992 to 8.3% in 2000. If this decline is sustained, there should be an ensuing improvement in life expectancy. Infant mortality rates fell significantly from 122 per thousand in 1988 to 81 in 1995, but have since increased to 88 per thousand in 2000. The major immunization campaigns recently undertaken, however, should lead to reduced infant mortality rates. Some other health indicators have improved. The percent of children stunted has fallen from 51 in 1992 to 40 in 2000. Access to safe water has risen from 16 to 47% of the population.

Key Components in the Effort to Improve the Lives of the Poor

The Poverty Eradication Action Plan

2.15 Once macroeconomic stabilization had been achieved, the urgent priority became to address the poor socioeconomic status of the population. The government had established the Program to Alleviate Poverty and the Social Costs of Adjustment (PAPSCA) at the beginning of the 1990s, but this aimed more to mitigate the social costs of fiscal tightening rather than representing an assault on poverty (Holmgren et al 1999, p. 26).

2.16 The framework for tackling poverty is contained in the Poverty Eradication Action Plan (PEAP), produced in 1997, culminating a 2-year preparation period, and revised in 2001 (see section 3 for a more detailed discussion of the process). The PEAP recognizes that, while economic growth is a necessary condition for poverty reduction, poverty is a multi-dimensional problem. As explained below, the PEAP is regarded as Uganda's CDF and is the framework within which the government draws up its policies. The revised PEAP (GOU 2001a) is structured around four goals:

- *Rapid and sustainable economic growth and structural transformation*, which combines the drive for economic growth with the modernization of agriculture;
- *Good governance and security*, which covers security, accountability, transparency, respect for human rights and zero tolerance of corruption;
- *Increased ability of the poor to raise their incomes*; which combines increased access to services and information, increased income-earning opportunities, and the spread of access and opportunities to include the disadvantaged;
- *Enhanced quality of life of the poor*, which includes health, education, water and housing as well as the fight against HIV/AIDS.

Decentralization

2.17 Improving service delivery is essential to achieving the goals of the PEAP. Local government reform is the main means by which the government aims to make service delivery more demand-responsive. Under the 1997 Local Governments Act, the planning, delivery, and management of basic services have all been decentralized to districts.

2.18 Both the Local Governments Act and the 1995 Constitution provide for the active involvement and organization of communities in planning activities. The aim is that ultimately the allocation of expenditures for basic services will be the responsibility of districts. At present, however, priorities are largely determined by central government, with a high proportion of the funds disbursed to districts being in the form of conditional grants directed at specific areas of

expenditure such as feeder roads. The extent to which districts have freedom to allocate their unconditional grants as they choose is limited by the fact that salaries of district officials are funded from these. A pilot system of equalization grants is in place to ensure that poorer districts have extra resources they need to tackle their higher levels of poverty. Districts are also responsible for collecting local taxes, but the tax base is narrow and capacity to collect taxes has generally been weak. Details of the local government system are given at the end of this section (Appendix 2.1).

2.19 The government has also created mechanisms for user participation in the accountability for public service delivery. For example, each primary school is expected to have a Parent-Teacher Association (PTA) and School Management Committee where parents are represented. Each government health unit is also expected to have a Health Unit Management Committee with civil society representation.

2.20 A number of bilateral donors are providing support to selected districts (e.g. the USAID-funded program to Strengthen Decentralization in Uganda in 8 districts). The remainder is eligible to access finance from the World Bank-funded Local Government Development Program. Through this program they can access resources for physical investments and capacity building. To secure resources for capacity building they must meet minimum institutional, financial, and operational requirements. Capacity-building grants are provided to Local governments on a demand-driven basis to enable them to meet their statutory roles and responsibilities. Local governments, through their annual planning and budgeting cycles, identify gaps, and produce strategies for addressing these, which can trigger the grant.

Summary

2.21 Macroeconomic stability has been achieved in Uganda. Significant overall poverty reduction has been achieved, but sustained improvements in socioeconomic indicators and service delivery in all regions will take longer. Achieving sustained improvements in socioeconomic indicators has been made more difficult by the presence of insurgency in some parts of the country and the need to tackle HIV/AIDS. Both are a significant drain on resources. Decentralization has been introduced as a means of bringing the delivery of services closer to users. Mechanisms have also been introduced to increase participation in the monitoring of services. However, building up the capacity and expertise of local governments so that they can deliver an improved quality of services and respond to user demand will take time.

Appendix 2.1 Local Government in Uganda

1. The system of local government is based on the district. In a rural district (the majority of districts), the five levels of administration are: the district (LC5); the county (LC4); the sub-county (LC3); the parish (LC2), and the village (LC1). District councils and sub-county councils comprise elected representatives and are the main levels at which expenditures take place. The Sub-county council includes one member from each parish as well as representatives of specific groups (youth, disabilities, and women). There are also councils at county, parish and village level. The 1997 Local Governments Act specifies the functions that are decentralized to district level and those that the districts are expected to decentralize to sub-county level. It also specifies flows of funds and responsibilities for collecting local taxes. Planning takes place at all levels.

2. Elected representatives are supported in the provision of services by technical staff appointed by a District Service Commission. Councils can set their own criteria for recruitment, but these must be in line with those generally prescribed by the central government. The head of the public service in the district is the Chief Administrative Officer (CAO). He/she is responsible for implementing the decisions of the council and for providing advice to the council.

3. The central government's representative in each district is the Resident District Commissioner (RDC), who is a senior public servant appointed by the president. He/she represents the president and government in the district, coordinates security, ensures that government programs are carried out in the district, and advises the district chairperson on national matters that may affect the district.

4. The decentralization of recurrent budgets has been completed. Development budgets are being decentralized using the following key principles:

- Decisions related to investments in infrastructure services, which are the responsibility of the local governments, should be made by the local councils and benefit communities and all key stakeholders.
- Selection, planning, implementation, and management of infrastructure investments should be based on an inclusive and participatory decisionmaking and a demand and performance-driven process.
- Disbursement of funds for local service investments should be handled by district, sub-county, municipal and division councils, and the corporate bodies in the local government system.
- Delivery of services should be provided by the private sector where this can be done more effectively and efficiently than by local governments or parastatals.
- Central government agencies should play a regulatory, facilitation, mentoring and monitoring role.

3. Implementing the CDF Principles: Progress, Issues, and Challenges

Long-Term Holistic Development Framework

3.1. *Working definition.* The *Design Paper* for the CDF Evaluation describes the CDF principles as processes that lead to outputs, outcomes and goals or impacts. The *Design Paper* provides the following working definition for long-term, holistic development framework.⁵

- 1) Identification of a 15-20 year vision statement containing monitorable development goals that:
 - take into account the broad aspirations of the population, and
 - include sustainable poverty reduction as an overarching goal and related sub-goals that are in the same areas as the MDGs.⁶
- 2) Formulation of a comprehensive yet realistic medium-term (3 to 5 year) strategy for making progress toward goals, specifically addressing the need for:
 - balance among macroeconomic and financial issues and structural and social concerns;
 - setting priorities in the face of capacity and hard budget constraints; and
 - time-bound, concrete actions, with attention to phasing and sequencing.

3.2 For Uganda, the revised Poverty Eradication Action Plan (PEAP) formally states at the beginning that it is Uganda's CDF (GOU 2001a: 1). This plan covers the period up to 2017, by which time it is expected that Uganda will have eradicated mass poverty. Uganda also has a medium-term expenditure framework (MTEF). A critical issue, which the rest of this section examines, is how well these two basic elements of a long-term, holistic development framework are linked.

Progress

Producing the PEAP

3.3 The preparation of the PEAP adhered to the CDF principle of partnership. It was initiated at a national seminar on poverty in November 1995 to discuss the World Bank's draft Country Economic Memorandum (CEM), entitled "The Challenge of Growth and Poverty Reduction." The seminar was addressed by the president and attended by representatives from government, NGOs, and the donor community. The draft CEM concluded that the country needed to do much more to tackle poverty. The president's reaction was to commission a National Task Force on poverty eradication to produce a draft action plan within six months. He said that he wanted poverty eradication, not alleviation. This task force carried out widespread consultations with stakeholders across government, parliament, civil society, the research community, and donors.

3.4 The Task Force work culminated in the first PEAP, issued in 1997. Writing the PEAP was an evolutionary and a participatory process, starting from outlines and background papers and then expanding to Sector Action Plans, written by Sectoral Working Groups. The wide participation *in writing the document* increased ownership. The gradual evolution meant that it was a practical document, with the Sector Action Plans appearing as annexes. These generally set

⁵ World Bank, CDF Evaluation Secretariat, *CDF Evaluation Design Paper* (September 2001), pp. 10-11. The working definitions for the other 3 principles are taken from the same source.

⁶ See discussion of relationship of PEAP goals and targets to MDGs in the section on Results Orientation.

out objectives for the next five years, with some sectors, such as roads, having longer time spans. Key informants regard the objectives contained in the PEAP as achievable. Survey questionnaire respondents generally thought that the development goals prioritized in the PEAP were attainable and that they addressed Uganda's priority needs.

Uganda Vision 2025

3.5 Halfway between the publication of the original and the revised versions of the PEAP, a related document was issued by MFPED, *Uganda Vision 2025: A Strategic Framework for National Development* (GOU 1999). *Vision 2025* drew on a widespread consultative process during 1997 and 1998 that involved a series of workshops and consultations at national and district levels. A National Core Team and a National Working Group produced several detailed thematic papers that also contributed to the project. *Vision 2025* lays out a comprehensive long-term vision that touches on many aspects of the Ugandan economy and society. It deals with most subjects addressed by the PEAP as well as such topics as science and technology and cultural diversity. A major difference between the two frameworks is that the PEAP is linked to the budget process and bound by resource constraints; *Vision 2025* is not.

Making the PEAP Operational

3.6 *Links to the MTEF.* Apart from an estimation of the requirements for health, there were very few costings in the 1997 PEAP. Key advisers in the Ministry of Finance regarded it as essential that the PEAP was clearly linked to resource availability if it were to have an impact of service delivery. This meant it had to be linked to the Government's Budget Framework Paper (BFP) and its related Medium Term Expenditure Framework (MTEF). The BFP relates macroeconomic objectives and outlook to the level of resource availability and, in turn, relates resource availability to the proposed spending levels set out in the MTEF for the following three years.

3.7 The MTEF was introduced in 1992/93, but initially it was confined to aggregates, such as wages and broad sectoral allocations. It had been prepared by the MFPED based on inputs from Sector Working Groups (SWGs) comprising officials from the relevant line ministries and the MFPED. However, a more detailed analysis was introduced in 1997 around the time of the introduction of the PEAP. Membership of SWGs was expanded to comprise government officials (both from the sector ministries and the MFPED), donor representatives, NGOs, and other representatives from civil society. Each year they identify sector objectives in line with PEAP objectives, the planned outputs to achieve these objectives, and performance indicators to measure outputs. The resulting BFP is then presented to the Cabinet for approval, following which the approved BFP is presented to donors and civil society stakeholders for comments.

3.8 Key informants say that most ministries and districts have stuck to budget ceilings. This has not been the experience of some other countries in Africa that have introduced MTEFs. Key informants suggested a number of reasons why ceilings have largely been adhered to in Uganda. Firstly, the president has provided a strong lead in stressing that the Cabinet does not have the time to discuss major in-year revisions to the budget. He has also empowered the Ministry of Finance, Planning, and Economic Development (MFPED) to allocate resources within a strict ceiling for aggregate public expenditures. Thus if one ministry secures extra funds, it will be at the cost of cuts in the budgets of other ministries. Secondly, the MFPED has, in turn, provided a strong lead, both in setting ceilings and in refusing to disburse further funds to ministries or districts that do not account properly for the funds they have already received. In addition, key informants mentioned the importance of the lead provided by ministers in key ministries. In some

sectors, education and health, for example, a more holistic, less project-focused approach was adopted on appointment of a new Minister.

3.9 Based on the limited experience of field visits to districts (Jinja, Pallisa and Kamuli) and interviews with MFPED officials, the concept of binding budget constraints seems to have been embedded even at this level. While few below district council level have seen the PEAP, some knowledge of national goals in, for example, health and education, is evident. A popular version of the PEAP is nearing completion, which should expand awareness and understanding at lower levels of local government.

3.10 The MFPED publishes and adheres to a clear timetable for the preparation of the budget, which includes early announcement of indicative ceilings in November for a budget to be delivered in the following June. Participants from ministries, districts, civil society and donors attend a Budget Consultative Workshop in November at which new ceilings and guidelines for drawing up Budget Framework papers are presented, as well as guidelines for SWGs.

3.11 The experience of Uganda is different to many other Anglophone countries where budget constraints are not, in reality, “hard,” and where strategies to secure extra funds are often successful. If Ministries think that they will be able to secure additional resources during the course of the current budget year, from either donors or the government, their focus will be on strategies to secure these funds, rather than on effective implementation of plans. In Uganda, the MFPED scrutinizes budget submissions carefully to check that priorities have not been left out or under-budgeted. Additional programmatic funds, beyond the budgeted levels, are added to reserves rather than spent. While there has been less success in preventing arrears, a new Commitment Control System was introduced in 1999/2000, which should make it more difficult for ministries to accumulate them. The MFPED’s position is, in any case, that it is ministries’ responsibility to settle arrears.

3.12 In other African Anglophone countries ceilings are also often announced later in the financial year than in Uganda, usually because of a failure to stick to the budget timetable. In such circumstances, ministries delay planning activity until the indicative ceilings are received. In Uganda, however, officials in both Ministries and Districts report that they do not need the indicative ceilings for planning to commence because they are confident that the indicative ceiling will be close to the ceiling for the second year of the previous year’s three-year MTEF. Hence, they can use this until they are told the indicative ceiling. This is a benefit of Uganda’s success in achieving sustained low inflation. In other Anglophone countries where inflation has been higher, the ceilings contained in the previous year’s MTEF have been regarded as unreliable because they do not make sufficient allowance for inflation.

Box 3.1. Relevance and Realism of the PEAP

While providing a long-term framework, the PEAP has practical relevance because of the inclusion of Sector Action Plans covering periods of 5-10 years.

Linking the PEAP to the MTEF was crucial for making it “operational.” However, the link would have been weak had spending agencies not been bound by a hard budget constraint. Factors that reinforced the use of the hard budget constraint were strong leadership and the stable macroeconomic environment.

The low inflation rate in Uganda means that people plan with a reasonable level of confidence that ceilings contained in the previous year’s MTEF, or issued early in the budget cycle, are likely to be close to the final budget ceiling.

Bringing together government officials, members of civil society, and donors working in a sector to discuss sector objectives and the financing of workplans has, over time, led to the formulation of realistic strategies. Linking plans with resource availability has brought realism into planning.

3.13 *The Long-Term Holistic Development Framework and Sectors.* The wide participation in the process of writing the PEAP facilitated the process by which it became holistic at sector level. The sector had to be considered as a whole rather than being carved up between donors, and this has led to the development of fully-costed sector plans and policies, supported by SWAp in some sectors, notably roads, health and education. More recently, this process has started in water and sanitation; and in justice, law, and order (see section on Country-led Partnerships for further detail).

3.14 Thus, out of the process of producing the overarching long-term holistic development framework, the PEAP, has become holistic frameworks at sector level. It should be stressed, however, that this process has taken years not months. In education, the introduction of the Universal Primary Education Initiative (UPE) in 1996, prior to the publication of the PEAP, led to a major funding crisis, which could only be solved if all participants in the sector worked together and focused on the strategic objective of ensuring that the primary education sub-sector could handle the massive increase in primary school registrations without affecting quality, while ensuring that access to secondary and tertiary education could be expanded. The result was a holistic approach that was later written into the PEAP (GOU 1997, paras 5.4.7-5.4.11) and, in time, led to the production, in 1998, of the Education Strategic Investment Plan (ESIP), supported by a SWAp. In health, an intensive three-year process, involving all stakeholders, led to the production of the National Health Policy in 1999, supplemented by the Health Sector Strategic Plan in 2000.

3.15 Expanding the membership of SWGs was an important innovation. In sectors such as health and education, where SWGs are long established, the partnership of officials, civil society and donors means that expertise and experience are pooled, which helps ensure that sector objectives and action plans are realistic, both in terms of time and cost. In sectors such as water and sanitation, where the institutions working in a sector have only recently started meeting together to develop a SWAp, the links between plans and budgets are still weak. While the Plan to Modernize Agriculture (PMA) does not constitute a SWAp, the ministries covered by the PMA need to develop a SWAp in order to implement the PMA.

3.16 The working definition for the long-term holistic Development Framework stresses the need for balance between macroeconomic and sectoral issues. At the macroeconomic level, the emphasis has been on stability and growth. At a sector level, Table 1 shows that resources are increasingly being allocated to the social sectors and roads. Education is the most favored sector with about one fourth of the budget, whilst the shares of roads, health, and water have risen since

1997/98 and are due to rise further. They have benefited from a reduction in the share of the budget allocated to Public Administration and Security. A number of key informants and questionnaire respondents expressed concern at the low level of resources allocated to agriculture. Although its share has risen since 1997/98, it was still only 1.6% of estimated expenditures in 2000/01.

Table 3.1: Sectoral Shares– Past Performance and Projected Future Trends

Selected Sectors	1997/98 Outturn	1998/99 Outturn	1999/00 Outturn	2000/01 Estimates	2001/02 Projected	2002/03 Projected	2003/04 Projected
Roads & Works	4.9	6.2	8.2	9.2	9.3	8.2	8.1
Agriculture	1.1	1.0	1.4	1.6	1.6	1.5	1.5
Education	26.0	26.9	26.1	26.8	25.5	25.5	26.1
Health	6.6	6.7	6.6	7.6	8.9	10.5	10.9
Water	0.5	1.2	1.3	2.4	3.0	2.8	2.8
Public Administration	24.9	20.7	20.4	17.7	16.7	15.6	15.2
Security	14.8	19.8	15.5	14.0	12.8	12.5	12.1

Source: 2001 Public Expenditure Review

3.17 *HIPC and the PAF.* In April 1998, one year after the PEAP was published, Uganda became the first country to reach completion point under the HIPC debt reduction initiative. This released roughly an extra \$40 million (increased to about \$90 million once Uganda became eligible for enhanced HIPC debt reduction in April 2000) for expenditures each year, all of which was used to finance the PEAP. This was fortuitous, but meant that people now regarded the PEAP as something that could be achieved.

3.18 The release of HIPC money also helped strengthen the poverty-focus of the PEAP. A condition of the receipt of HIPC money was that not only would the savings be used for poverty-reduction, but that accounting mechanisms would be established to demonstrate this. To do this the government set up the Poverty Action Fund (PAF). Over time, additional donor and government funds have supplemented the PAF. Expenditures located in the PAF are “ringfenced” or protected from budget cuts.

3.19 The PAF has also been a means by which the government has reoriented expenditures. Substantial reallocations have been achieved under the PAF. The PAF in total public spending has risen from 17% in 1997/98 to 24% in 1999/2000 to 31% in 2000/2001 (GOU. 2001a: 65). In addition to strengthening the poverty-focus of the PEAP, the involvement of donors in the PAF has contributed to the strengthening of partnerships and of results-orientation. In sum, the creation of the PAF as a channel for HIPC debt savings reinforced the emphasis on poverty-eradication contained in the PEAP and reinforced the PEAP as the document containing the government’s long-term strategy (see further discussion in *Country Ownership* section).

Periodic Revision of the PEAP: A Lesson Learned

3.20 In 2001 the PEAP was revised and explicitly recognized as Uganda’s CDF, a concept which had not yet been coined in 1997. The government revised the PEAP, in part, to take account of new information on poverty. The first PEAP had used the NGO and donor reference

groups as proxies for the real voices of the poor, but subsequently the UPPAP was undertaken to provide this information firsthand. This enabled the government to confirm and elaborate on priorities as well as reorient allocations in the budget (Muduuli. 2001: 7). These reallocations were based on much more detailed costings than those contained in the first PEAP. The PEAP was also strengthened in the area of gender analysis. The first PEAP contained occasional references to gender issues in the areas of land, labor market discrimination, maternal mortality, girls education and female adult illiteracy, but there was an absence of mentions of gender in other areas such as credit and agriculture. The revised PEAP has a detailed analysis of gender issues at the beginning and a greater number of references in the main text, including those areas mentioned above where gender issues were not mentioned in the first PEAP. In addition, the second PEAP also assesses progress made on meeting PEAP goals revised plans as appropriate. Further revisions were made to take account of the delegation of responsibilities for service delivery to districts that has taken place since 1997. Finally, the revised PEAP incorporates the Medium Term Competitiveness Strategy (GOU 2000a), the Plan to Modernize Agriculture (GOU 2000c), and the government's response to the HIV/AIDS pandemic.

Role of the PRSP and PRSC

3.21 Since the end of 1999, low-income countries wishing to secure access to enhanced-HIPC debt relief are to prepare a Poverty Reduction Strategy Paper (PRSP) for review by the Boards of the World Bank and IMF. The Ugandan government successfully argued that to undertake a separate exercise would not be a good use of limited human resources, since the PEAP already constituted a poverty reduction strategy document, and that a summary of the PEAP should serve as Uganda's PRSP. Moreover, it was agreed that a summary of the Government's Poverty Status Report would serve as the PRSP Progress Report.

3.22 The World Bank is supporting the focus that the PEAP and the PRSP provide by shifting its support away from sector credits to overarching Poverty Reduction Support Credits. These will provide finance to implement the PEAP/PRSP and a related monitoring framework. Targets take the form more of "undertakings" than "conditions." A number of bilateral donors are linking the disbursement of programmatic funds and the monitoring of progress to the PRSC timetable. The World Bank Board has approved the first PRSC and a pre-appraisal for PRSC 2 took place in October 2001.

Constraints

3.23 Constraints on deepening of the PEAP include:

The Ability of Local Government to Implement the PEAP

3.24 At present, much of the responsibility for service delivery has been decentralized, but districts have little discretion over how they use the funds that flow to them and so cannot reallocate them to take account of local conditions or changing circumstances. In their visits to districts the case study team was provided with one example where the conditions placed on the use of grants leads to sub-optimal resource allocation. In this case it was felt that money allocated for feeder roads would be better spent on "community roads," since local communities have not been able to raise the resources required to maintain these themselves. The PEAP gives another example of an anomaly, namely, the allocation of a feeder roads grant to Kalangala, where most transport is water-borne (GOU 2001a: 65).

3.25 The bureaucratic way local governments access resources also causes them problems. Funds come in over 20 different grants, all of which have to be separately accounted for. To account for some grants, expenditure returns need to be collected from sub-counties. This can

delay the release of further tranches. Other sources of delays are: the slow progress of releases through the banking system; and delays by line ministries in submitting analysis to MFPED of reports made by local governments. Local governments also complain that sometimes funds are received just before the end of the financial year and have to be returned unspent, even though contracts have been entered into.⁷

Separation of Investment and Recurrent Expenditures

3.26 The institutions of separate recurrent and development budgets found throughout Anglophone Africa means that investment and recurrent costs are generally considered in isolation. Typically, this leads to an under-provision of recurrent expenditures. This is particularly the case when most donor aid is provided in the form of projects; donors finance investments, but expect the recipient government to meet recurrent expenditures. This weakness is recognized in the revised PEAP (GOU 2001a: 65).

Issues

3.27 Deepening the PEAP raises the following issues:

Financing the PEAP

3.28 The development of the PEAP and associated sector plans has raised expectations of what might be achieved. However, the PEAP's analysis of the longer term costs of implementing the PEAP concluded that if all the costed programs started immediately (and not all programs have been costed) and proposed pay reform increases were implemented immediately, an increase of Ush 1.2 billion (60%) on the combined government and donor resources of Ush 2.12 billion budgeted for 2000/01 would be required. The PEAP estimates a low case scenario for revenue increases of about Ush 120 billion a year in real terms, which would imply a wait of at least ten years before there were sufficient resources to even start all the five/ten year investment plans referred to in the PEAP. Under the PEAP high case scenario, full implementation of its programs could only be affected after seven years. The preliminary conclusion is therefore drawn that "the PEAP is affordable, but not immediately." In the near-term, it concludes that scope for reallocating existing spending needs to be pursued (GOU 2001a: 152-153).

A Longer Term Focus to Planning

3.29 The PEAP has a timeframe up to 2017. Costings for some of the sector plans and targets are included in the revised version (GOU 2001a: 145-148). However, apart from these there is no guidance for resource allocation between the three-year timeframe of the MTEF and the end-date for the PEAP. Several key informants expressed a desire to see a Long-Term Expenditure Framework, covering perhaps ten years, which would ensure that the size and timing of allocations are in line with PEAP costings. The beginnings of a Long Term Expenditure Framework are contained in the PEAP (GOU 2001a: 150-157). Several donors have offered to support such an exercise.

3.30 Opinions are more divided on whether there should be a National Planning Authority (NPA), provision for which is included in the 1995 Constitution, and what its purpose would be. Some key informants saw its role as producing the LTEF, others as producing a national plan, and others as a think tank. The *Vision 2025* document envisions being the "operational starting point" for the NPA (GOU 1999:91). MPs with whom the case study team met tended to favor the

⁷ Further details are contained in the following documents presented at the PAF Annual Review Meeting, 12 November 2001: Maduuli (2001a), Oboth (2001), Kalembe (2001) and Bitarabeho (2001). Similar views were expressed by officials met during visits to Kamuli, Pallisa and Jinja districts.

proposal, believing that long-run planning capacity is needed and that MFPED should not assume this function. Key informants from the government and donors expressed concern that if the NPA were to assume the planning function, this would be inconsistent with the linking of plans and budgets in the MTEF and constitute a backward step.

Challenges

3.31 The government faces the following challenges in deepening and implementing the PEAP.

Achieving Comprehensive Coverage of Sector Expenditures

3.32 The development of the PEAP and the commitment shown by the government in implementing it (see sections on Country Ownership and Country-led Partnerships for further details) has encouraged donors to shift their financing toward budget support, both general and sector specific, and away from project support. This and the development of SWAs provides the opportunity for integration of recurrent and development budgets. The government plans to do this for health, education, and water/sanitation as part of PRSC 2.

“Letting Go” By the Center

3.33 The fact that a high proportion of resources for expenditures comprise conditional grants to local governments makes it easier for the MFPED to ensure that expenditures are in line with PEAP priorities, but reduces local governments’ ability to respond to changed circumstances. In the medium-term, the challenge for central government will be to give districts greater freedom in resource allocation, while ensuring that funds are used efficiently and effectively. Streamlining the number of grants would reduce the time spent on administering them, both at central and district levels. The government has agreed to do this as part of PRSC 2.

Handling Expectations

3.34 As highlighted above, at present it seems unlikely that all programs in the PEAP can be financed. While the PEAP discusses ways of increasing resources or cutting costs, it seems likely that difficult decisions will have to be made to scale down PEAP targets.

3.35 If sector ministries feel that their ability to meet PEAP targets is being frustrated, they may be tempted to try ways of securing extra funds within the budget year. As highlighted above, MFPED has generally succeeded in countering attempts by line ministries to spend in excess of budgets. However, two exceptions are Public Administration and Defense, which have frequently secured budget increases. Some key informants from donors were concerned that ministries might copy tactics employed by these agencies to secure additional funds for their programs.

Improving the Timeliness of Releases to Districts

3.36 There is a risk that the late arrival of funds will frustrate attempts to shift the focus from inputs to outputs and outcomes. If ministries and districts cannot predict when funds will arrive, their time horizon becomes shortened, since there is little point in commencing medium-term plans if the timing of the arrival of funds to continue them is uncertain.

Country Ownership

3.37 *Working definition.* The principle of country ownership may be defined as processes with the following characteristics:

- 1) Identification of development goals and formulation of strategy by the country, not by development assistance agencies.

- 2) Regular and broad-based stakeholder participation, with evidence of sustained public support from top political leadership and intellectual conviction by key policymakers.

3.38 “Rising from the ashes,” Uganda has, over the last decade, transformed its economy and society from one of Africa’s worst tragedies into one of its most talked about successes.⁸ Notwithstanding the continuing challenges described in the *Historical Context* section, Uganda’s experience thus far suggests that the tangible and continuing economic results of strong government ownership of the national development agenda and accompanying reforms will, in turn, reinforce a commitment to build on previous successes and undertake new reforms.

3.39 Uganda’s manifestation of country ownership can be attributed to a series of factors that have continuously evolved and in tandem enabled government to *credibly* be in the driver’s seat as it guides the country’s poverty eradication strategy. These factors can be divided into six categories: (i) unwavering commitment to reforms from the top leadership, (ii) lead institution with a highly capable team to guide and build upon the reform processes, (iii) genuine engagement with civil society, (iv) innovative use of increased fiscal space from debt relief and donor support to target poverty, (v) external partners/donors willingness to move toward general budget/sector support and to work within systems and frameworks set out by government, and (vi) devolution of power and decisionmaking from the center to the districts.

Progress

Unwavering commitment to reforms from the top leadership

3.40 The top political leadership in Uganda has made a firm commitment to reforms, with a clear understanding of the importance of sequencing of reforms. It has recognized the need to formulate a strategic development plan that addresses poverty, taking into account the voices of the poor. The leadership has also empowered other leaders and institutions within government to design and deliver on strategies for reducing poverty.

Box 3.2 Committed Leadership

Sequencing of reforms has been very important in Uganda, with each successful reform paving the way for reform that needed to follow. In 1992, the leadership responded to an economic crisis and a debilitating inflation by reorganizing the institutions and reshuffling the leadership responsible for managing the economy. The new ministry, the Ministry of Finance, Planning and Economic Development (MFPED), was mandated to reign in inflation, instil fiscal discipline, and attain macroeconomic stability. Prudent economic management followed, leading to macroeconomic stabilization, accompanied by economic liberalization and structural reforms. The combined effect was more rapid and sustained economic growth. By 1995, however, the perception was that economic growth had negligible impact on poverty (the results of the 1992/93 Integrated Household Survey, showing that poverty had declined, were not yet available). The political leadership responded by commissioning a national task force to develop an action plan for eradicating poverty in consultation with civil society and external partners. The ensuing two-year long participatory process resulted in the formulation of the Poverty Eradication Action Plan (PEAP), government’s blueprint for targeting and eradicating poverty (see section on *Long Term Holistic Framework* for further detail). Sustained progress in the face of continuing challenges now requires complex reforms of an institutional nature, particularly to improve service delivery and to accelerate private investment and export growth. Leadership has responded by challenging its own government and its external partners to devise strategies to promote exports and private sector development.

⁸A testament of the devastation and violence Uganda endured in the 70s and early 80s, as expressed by senior government officials, donor representatives, and members of civil society interviewed by the case study team.

Lead institution with a highly capable team to guide and build on previous reforms

3.41 The Ministry of Finance, Planning and Economic Development (MFPED), guided by a visionary Permanent Secretary and a highly capable economic team, has demonstrated its ability to go beyond initial macroeconomic successes by taking up the cause of poverty eradication. As lead architect of the PEAP, it has motivated leadership in line ministries, promoted an ongoing dialogue on poverty, and coordinated among different stakeholders in analyzing, monitoring, and targeting poverty. MFPED has sought to ensure that a poverty focus permeates the planning and budget processes in the pertinent Ministry units.

3.42 MFPED has taken the lead in promoting the strategic investment plans of sector ministries owing to its linking of planning and budgeting functions. The budgeting process has increasingly become open and transparent, following a consultative process wherein all stakeholders, including civil society, donors, NGOs, and line ministries have become more involved in the formulation, monitoring and review processes. Line ministries and sector working groups play significant roles in preparing budgets in coordination with MFPED, before final submission to Cabinet, reinforcing sectoral ownership of the planning process. This is particularly evident in the education and health sectors, where the process of linking plans to resource availability is well embedded. In both sectors, the budgeting process is guided by sector working groups through transparent and consultative, output oriented processes.

3.43 Increased openness of the budget process has encouraged some donors to integrate their financing with the government's budget system, and to commit early in the budget cycle their planned financings. This has allowed government to have greater control over the budget and has increased the efficiency and effectiveness of expenditure allocation. This has also increased the incentive of line ministries to develop sector-wide plans, now that more of the financial resources required to implement plans are directly available to sector ministries.

3.44 MFPED has also become the main coordinator of donor activities and sector working groups, forging agreement by external partners and line ministries to work within frameworks and systems crafted by government. Credibility has been reinforced by the willingness and confidence of some donors, particularly DFID and the World Bank, to increasingly change their modalities from implementers to financiers of programs. By rationalizing the Aid Liaison Departments that previously existed in each line ministry into one department under MFPED, the ministry has also curbed the traditional habit of individual donors to exert pressure and tempt line ministries into undertaking projects centered on donor interests. It has also limited line ministries' authority to accept donor funded projects that either fall outside of sector investment plans or fail to directly address priority areas identified by sector investment plans. All donor funded project proposals must be cleared by the Aid Liaison Department and the Development Committee of the ministry.

Genuine engagement with civil society

3.45 There is growing recognition and appreciation by government of the crucial roles played by civil society in reaching out to and sensitizing populations at large and in ensuring transparency and accountability. With MFPED in the lead, the government has made credible efforts to create an enabling environment for civil society participation in national and sector policy planning and budgeting processes. Participation of Civil Society Organizations (CSOs, including Non-Governmental Organizations, NGOs) in setting policy priorities and poverty indicators, and in monitoring programs, output targets, and resource allocations is becoming mainstreamed through formal arrangements such as budget workshops and working groups. In the education and health sectors, the monitoring and review roles of CSOs have increasingly become mainstreamed through regular participation in joint sector reviews. CSOs have also

assumed significant roles in monitoring the Poverty Action Fund (PAF).

3.46 A growing confidence in government's commitment to mainstreaming civil society participation was also expressed by the CSOs consulted by the case study team. Some members even expressed the feeling that government's commitment was in fact testing the current capacity limits of civil society by requiring their participation at a more technical level.

Innovative use of increased fiscal space from debt relief and donor support to target poverty

3.47 Alongside fiscal discipline, MFPED took the lead in institutionalizing borrowing discipline and prudent debt management. MFPED put in place debt strategies that wiped out virtually all commercial loans and cleared the bulk of arrears and penalties, while successfully negotiating substantial debt reductions and rescheduling from most bilateral creditors. It put in a new "grants before loans" policy that emphasized grant financing before loans, and where loan financing is the only option, borrowing only on concessional terms compatible with IDA terms.

3.48 The strategy of contracting only concessional loans had changed the composition of the debt portfolio, and by 1995, multilateral debt had risen significantly, accounting for 70% of total debt service. In 1995, Uganda set up, with assistance from some of its bilateral donors, a Multilateral Debt Fund (MDF) that mobilized about US\$40 million over three years. The fund proved to be an efficient mechanism for managing debt relief resources, with formal financial commitment by donors at the beginning of their budget cycle and by government on the specific use of the resources. MFPED used this opportunity to institute a mechanism for donor dialogue, holding quarterly meetings to apprise donors (including non-contributing donors such as the World Bank and IMF) of the performance of the fund and other challenges facing the economy. Such forums have subsequently evolved and been sustained.

3.49 In 1996, the World Bank and IMF introduced the HIPC initiative to provide debt relief to countries with six-year track records of economic and structural reforms. Given its early ownership of successful reforms, Uganda qualified for debt relief in just two years, creating a much-needed fiscal space for the government. This released roughly an extra \$40 million (increased to about \$90 million once Uganda became eligible for enhanced HIPC debt reduction in April 2000) for expenditures each year, all of which was used to finance the PEAP.

3.50 The release of HIPC money has strengthened the poverty-focus of the PEAP. A condition for debt relief was that accounting mechanisms be established to ensure that savings are used for poverty-reduction. To do this, the government transformed the MDF into the Poverty Action Fund (PAF). The PAF is fully integrated into the government's Medium Term Expenditure Framework, and its 'ring fences' money from debt relief and additional donor resources from budget cuts.

3.51 The PAF has also been a means by which the government has reoriented expenditures. Substantial reallocations have been achieved under the PAF. The PAF in total public spending has risen from 17% in 1997/98 to 24% in 1999/2000 to 31% in 2000/2001 (GOU. 2001a: 65). In addition to strengthening the poverty-focus of the PEAP, the involvement of donors in the PAF has contributed to the strengthening of partnerships and of results-orientation.

Efforts by external partners/donors to move toward budget support and to work within systems and frameworks set out by government

3.52 By shifting from policies and practices that tended to undermine government institutions and systems, donors have reinforced government ownership of the development agenda. A

plethora of standalone donor-supported projects, requiring their own reporting procedures and some competing with one another, were stretching sectoral ministries' human and management resources and increasing government's transaction costs. Furthermore, sectoral ministries tended to respond to supply-driven technical assistance that was not always consistent with demand-driven sectoral investment plans. Over the last few years, several donors, in particular those with large portfolios, have been shifting away from projects and increasingly moving toward sector wide and general budget support (see subsequent section on *Country Led Partnership*).

Devolving of power and decisionmaking from the center to the districts

3.53 Ugandan ownership of the national development agenda continues to be reinforced through the process of devolution of responsibilities and power to local government. The 1995 Constitution and the 1997 Local Governments Act provided for political devolution and decentralization of most public service administration and delivery, increasing the involvement and influence of citizens at the village, parish, sub-county, county, and district levels in development planning and priority setting (see Appendix 2.1 of the *Background* section for more detail). The decentralization of responsibilities has also been accompanied by fiscal decentralization to districts and sub-counties, which are allowed to retain about one-thirds and two-thirds of revenue collected in their jurisdictions, respectively.

3.54 The process of decentralization has had mixed results across districts in terms of efficient service delivery, matching of resources to local demands, and local government accountability. However, it has by and large brought citizens at the grassroots level much closer to policy planning and decisionmaking. District Development Plans (DDPs) are expected to reflect the needs and priorities of citizens from the village level and up. The chairman of the Mafubira Sub-County Council, Jinja District, made the following comparison:

“before decentralization, you had transfer of ideas from government to the local man, now you have transfer of ideas from the local man to government ... when you come to the lower level, you find everyone involved, either through PTAs, PMA committee, youth committee, etc.”

Issues

3.55 While significant country ownership of the development agenda exists in Uganda, key constraints to deepened ownership include:

- *Heavy dependence on donor financing.* While the government has attained greater control of the budget allocation process, the budget remains heavily dependent on donor financing. Fifty-seven percent of the budget during the fiscal year 2000/01 was financed by donors with donor money (grants & loans), and 52% of GOU-funded expenditures for the current fiscal year are expected to be financed externally. More than 50% of the education and health sector budgets are also externally financed.
- *Bottom-up development planning, top-down allocation of financial resources.* Even though identification of needs begins at the village level and prioritizing involves parishes and sub-counties, local governments have limited authority to allocate resources to match local demands. District Development Plans (DDPs) are ultimately constrained by conditional grants and ceilings passed down from MFPED that limit the flexibility of reallocation.
- *Difficulty of local governments in raising local revenue and meeting co-funding requirements.* Although the Local Governments Act of 1997 gives authority to sub-counties

to raise revenue and initiate development programs, meager local resources and income have made it extremely difficult to raise local revenue in a number of sub-counties. In a few others, politicians refusing to tax constituents during election time have exacerbated the difficulty. Officials of Bayondo sub-county, Jinja District, reported that during the last financial year, they were able to collect only Ush. 14 million, out of an expected amount of Ush. 80 million. Both Bayondo and Mafubira sub-counties were also unable to meet the 10% co-funding requirement of the Local Development Fund.

- *Weak integration between SWAs, built around central ministries, and service delivery at district levels.* Capacity asymmetries between central ministries and district institutions have resulted in well-crafted sector investment plans falling short of efficient implementation, compromising the quality of service delivery.

Challenges

3.56 *Increasing domestic revenue to reduce aid dependency.* Country ownership would be further reinforced when the budget becomes less dependent on external financing. This requires sustained economic growth and/or increasing the share of domestic revenues in GDP. Measures for increasing the share, such as improving tax collection efficiency or modifying tax structure, need to be designed to minimize dampening of investment incentives.

3.57 *Continuity of open engagement with civil society.* Although core government institutions, such as MFPED, are credibly committed to open engagement with civil society, the openness reportedly does not extend to all institutions. Some CSOs and donors consulted expressed the view that several line ministries well suited to utilize CSOs and NGOs for public service delivery remain skeptical of the role of civil society. The view also extends to Parliament, which has tabled an NGO Amendment Bill seen by many CSOs and advocates as an attempt to limit the role of civil society.

Country-Led Partnership

3.58 *Working definition.* The principle of country-led partnership may be defined as processes with the following characteristics:

- 1) Government leadership in the management and coordination of aid resources, including:
 - analytical and diagnostic work;
 - aligning external support on the basis of the country's development strategy and development agency comparative advantage;
 - harmonization of development agency procedures and practices, e.g. procurement, reporting, and evaluation.
- 2) Relations among government, development partners, and other stakeholders, marked by:
 - mutual trust, consultation, and transparency;
 - assumption of accountability for sound financial management and performance;
 - effective, demand-led support for strengthening government aid management and coordination capacity and not undermining it.

3.59 With these elements in mind, progress, issues, and challenges of country-led partnership can be assessed under the following headings: (1) strategic alignment and sector-wide approaches (SWAs); (2) selectivity along lines of comparative advantage; (3) harmonization of procedures; (4) capacity strengthening; and (5) country-led aid coordination mechanisms.

Progress

Strategic alignment and SWAps.

3.60 Government and donors agree that over the last five years donor country assistance strategies have become much more closely aligned with government development strategy, the PEAP. Alignment has occurred by definition for those donors who have moved toward sector or general budget support.⁹ Donors providing project aid say they ensure consistency with the PEAP or that they are making an effort to do so.¹⁰ The clear preference of government, as expressed in its recently issued PEAP Volume 3, *Building Partnerships to Implement the PEAP* (hereafter, *PEAP 3*), is for budget support in view of its superior flexibility (GOU 2001b: 27-29; 75-78).

3.61 For donors limited to project support, government has indicated that multi-stakeholder Sector Working Groups (SWGs) are to ensure that new projects are “driven by SWG priorities rather than by the preferences of donors.”¹¹ The inter-ministerial Development Committee, housed in MFPED, is to review all new donor-funded project proposals to ensure that they are consistent with the Medium Term Expenditure Framework (MTEF) and that the justification for the project is sound and that the “input mix is efficient (for instance, that expenditures on high cost items such as technical assistance and vehicles is clearly justified).”¹² If a donor’s priorities differ “so sharply from those of Government that compromise cannot be reached,” *PEAP 3* states that “Government will not finance the project by counterpart funds, nor will the project necessarily receive tax exemptions.” (GOU 2001:78)

Box 3.4. Donor Views on Development Cooperation Partnership in Uganda

- “Uganda is in the forefront and Government is certainly in the driver’s seat.”
- “General budget support emerged because of the view that Government was using money wisely.”
- “There is hardly any country that does it better.”
- “If debt is not sustainable in Uganda, where else in Africa would it be?”
- “Uganda is a chemistry lab for our development cooperation.”
- “Donor coordination in Uganda is very dense, with process on top of process.”
- “The SWAp is an essential process.”

3.62 A driving force for aligning donor assistance with the PEAP and enhancing other dimensions of partnership has been the Sector-wide Approach (SWAp). The government’s intention is to move to a SWAp in at least 15 sectors or thematic issue areas (see Box 3.5). Some of these are “traditional” sectors, such as education and health; others are more cross-cutting in nature, such as “Macroeconomic Framework” or “Gender, Labor, and Social Development.” A complete SWAp would normally include the following elements: (1) a budget sector working group (SWG), (2) a national policy statement, (3) a comprehensive, costed sector strategic investment plan (SIP), (4) a policy level steering or consultative committee and a number of technical working groups, in addition to the budget SWG, and (5) a joint sector review. The

⁹ DFID, the EU, Irish Aid, Netherlands, Norad, Sida, and the World Bank are in the forefront in this regard.

¹⁰ The case study team met with representatives of 10 bilateral donors and 4 multilateral development agencies listed in Annex H.

¹¹ GOU 2001b:28. See paragraph 3.57 in the main text for further discussion of the evolving functions and composition of SWGs.

¹² Eventually, the SWGs are to assume the review of project soundness and unit costs. GOU 2001b:28-29.

sectors most advanced in applying a SWAp are: education, health, roads, and water and sanitation, with justice-law-and-order expected to constitute a complete SWAp in a year.¹³

3.63 Budget SWGs go back to the first MTEF in 1992/93. Their main purpose has been to prepare sector Budget Framework Papers (BFPs) during the budget process. Similarly, some sector policy statements go back one decade or more. It was only with the formulation of the PEAP, from 1995 on, that the concept of the SWAp, with the above-mentioned elements and the participation of multiple stakeholders, began to take hold. The fifth element, the joint sector review (JSR), has been held semi-annually over the last 3 years in the education and health sectors, and the first annual JSR for water and sanitation was held in September 2001. The purpose of the JSR is for government, donors, and other stakeholders (usually NGO umbrella groups) active in the sector to review strategy and performance and propose policy and resource allocation shifts for the coming year. JSRs are viewed by participants as essential elements of an effective SWAp, i.e., one that results in better strategic alignment as well as improved selectivity and greater harmonization. One manifestation of the increased mutual confidence—and reduction in transaction costs—resulting from joint sector reviews is the experience in education and health, where the number of undertakings agreed at each semi-annual review has declined sharply over the last two years: from 59 to 7 in education and from 32 to 10 in health (cited in reviews of education and health sectors).

Selectivity.

3.64 To the extent that more aid is channeled into budget support, selectivity among donors recedes as an issue. Anecdotal information from interviews suggests that some donors have concentrated their project support in certain sectors where they have developed a comparative advantage, such as Danida in water and sanitation and USAID in the private sector. In another form of selectivity, Norway participates in education and health through Swedish Sida. Danida is phasing out of education. The World Bank is consciously reducing the spread of its involvement across sectors, with its future portfolio split between support for four sectors through the PRSC (education, health, rural development, and water) and for major infrastructure projects, such as power. Analysis of OECD/DAC data on commitments by donors in four key sectors—agriculture, education, health, and transportation—clearly indicate that donor concentration has increased in education and health, with commitments increasing and the number of donors decreasing from the mid- to the late-1990s (see Table E-1, Annex E). The picture is mixed in transportation, with a slight decline in value of commitment per donor, notwithstanding a slight increase in commitments, and a clear deconcentration in agriculture, given an increase in donors and a decline in commitments. As pointed out in the “Issues” section below, detailed data from MFPED reveal a massive and fragmented project portfolio persisting through the end of the 1990s.

Harmonization of donor procedures.

3.65 Donors providing budget support on a sectoral or general basis are more prone to accept government procedures. However, this has not been uniform. MFPED complains of differing disbursement cycles and reporting requirements, even among donors providing budget support. But these issues are less salient in those sectors where joint sector review processes are entrenched and where an increasing share of assistance is being provided through budget support, such as in education and health (see Annexes D-1 and D-2 for a number of examples). A government key informant reported that donors providing budget support in health accepted the

¹³ Elements of a sector-wide SIP are still being developed for the water and sanitation sector.

Joint Sector Review report, while those still on a project basis asked for separate reports.¹⁴ Some donors who have exclusively relied on project support are considering budget support on a pilot basis to education or health, earmarked through the PAF.

Support for capacity strengthening.

3.66 Among the current arrangements for providing Technical Assistance (TA), the government prefers mechanisms separate from investment projects, which it calls “non-fungible technical assistance” (GOU 2001b: 75). Examples include the “ODI Fellows Scheme” that provides economist advisors, the UN Volunteers, and a similar mechanism funded by the Japanese government. The government’s preference would be for mechanisms that are more general. There has been strong criticism of the prevailing mode for providing TA bundled with investment projects (see the “Issues” section below).

Country-led aid coordination mechanisms.

3.67 Aid coordination mechanisms in Uganda are increasingly country-led. For example, MFPED, through its Aid Liaison Department and the Development Committee, chaired by the permanent secretary, has reportedly turned back donor-backed projects that do not fall within an approved sector SIP and BFP. While some stakeholders view joint sector reviews and other SWAp processes as still donor-dominated, the previously mentioned reduction in undertakings in the education and health sectors suggests greater donor reliance on country leadership.

3.68 *An expanded mandate for SWGs.* New MFPED *Sector Working Group Guidelines* and *PEAP 3* set out an expanded mandate for SWGs (GOU 2001c; GOU 2001b:8). Each SWG is to be convened and chaired by the permanent secretary of the “agreed lead institution” and each group will “comprise representation for all stakeholders, including Civil Society, Donors, NGOs and Government.” Fifteen “functional” SWGs and two “advisory” SWGs are delineated (see Box 3.5). Each functional SWG is required to prepare a sector BFP that:

- reviews sector policies, plans, and performance;
- assesses future issues, pressures, and resource requirements for medium-term budget allocations;
- indicates output performance targets and expected sector outcomes; and
- gives expenditure priorities within existing medium-term ceilings.

¹⁴ DFID, Irish Aid, and Sida were identified in the first category, and Danida, Italy, and the World Bank, in the latter category.

Box 3.5. Sector Working Groups in Uganda, November 2001Functional

Accountability	Public Administration
Agriculture	Public Service, Pay and Pension Reform
Education	Roads, Works, Communication, Housing
Enabling Environment – Private Sector	Security
Health	Social Development
Justice, Law and Order	Water
Local Government	<u>Advisory</u>
Macroeconomic Framework	Poverty Eradication
Natural Resources	Private Sector

Source: MFPED, *Sector Working Groups – Terms of Reference and Guidelines – Preparation and Presentation of the Sector Budget Framework Papers – Fiscal Years 2002/03 to 2004/05*, p.3.

3.69 The *Guidelines* and *PEAP 3* propose a broadening of the mandate and functions of the SWGs to include: (1) overseeing the development of sectoral strategies; (2) ensuring that projects and programs submitted to the Development Committee are consistent with sector strategies; and (3) monitoring and evaluation of performance. Both documents make it clear that what have been ad hoc bodies are to be converted into continuing entities that meet regularly throughout the year. (GOU 2001b: 8; GOU 2001c:10)

3.70 The World Bank convenes the annual Consultative Group (CG) meeting. For the last three years, these meetings have been held in Kampala, co-chaired by the Bank and the government. Given the broad participation by different elements and levels of society, the major publicity the meetings have generated, and the widespread acclaim for holding them in-country, it is hard to imagine their being held abroad again. The government is actively involved in planning CG meetings, including the preparation of papers.

Box 3.6. Some Views of Senior Government Officials on Development Cooperation Partnership

- “We have been flogging the DAC partnership guidelines and donors have been listening more and more.”
- “Donor concerns that transparent accountability systems be in place as a condition for budget support are well-founded.”
- “Some donors are willing to go along with current systems, provide budget support, and struggle with Government to improve systems.”
- “Donor-funded projects must be accepted but parallel structures, multiple reporting requirements and multiple visiting missions should be eliminated.”
- “Technical assistance is a major issue. Project TA is misused. A centrally-managed, demand-led mechanism that would respond to line ministry requests would be far more effective.”
- According to a line ministry official, 60% of donor funds for stand-alone projects in the sector go to TA and vehicles, and 50% of project procurement is for expatriate TA.

Issues

Strategic Alignment

3.71 *Fiduciary assurance* by government to donors is essential if continued movement toward budget support—either at the sectoral or general level—is to be sustained. This first requires mutual agreement on how fiduciary assurance is to be defined. Basic elements of a definition include total transparency of accounts at all levels and tracking studies of the flow-of-funds by sector.

3.72 *Future of the Poverty Action Fund (PAF)*. Some MFPED officials and donors believe that the PAF has outlived its usefulness, a reason being that in the face of revenue shortfalls, important budget items outside the PAF are hit disproportionately. On the other hand, those donors who earmark support for activities within the PAF argue that the protection against cuts afforded by PAF status helps to maintain home support for the Uganda aid program.

3.73 *Rationale for project aid*. Even donors who provide budget support express a continuing need to provide some portion of support in the form of project aid. Reasons include the need for specific monitoring and accountability mechanisms for large discrete investments or for high-risk activities (e.g. for HIV/AIDs or in border areas), and the desire to “show the flag” in a few places.

Selectivity

3.74 Detailed data on currently active projects compiled by MFPED indicate that the aid portfolio in Uganda is massive and fragmented. Table E-2 in Annex E reveals considerable fragmentation by sector.¹⁵ Overall, 42 different donors are recorded as providing assistance through 524 projects and 825 separate agreements.¹⁶ The “multi-sector” category leads other sectors, with 29 donors, 83 projects, and 197 separate agreements.¹⁷ Public administration, health, agriculture, and education also rank high in terms of agreements and projects. If the experience of DFID in health is any indication, the numbers of projects and agreements should be declining in sectors where full SWAPs are in effect. In the late 1990s, DFID supported 25 separate health projects. The current number of projects has declined to 14 and is expected to fall to 6 by the end of this financial year.¹⁸

3.75 The same data source permits an analysis of donor concentration by sector. Among the 15 top donors to Uganda, 4 have active projects in 10 of the 11 sectors in which MFPED groups its data (Austria, EU, Germany, and the UK); and three have active projects in nine sectors (Sweden, UNDP, and World Bank). On the other hand, three donors are concentrated in five sectors each (Ireland, Japan, and Netherlands). Other donors range from 6 to 8 sectors each.

¹⁵ In a “CDF Matrix” annex to *PEAP 3*, the education and health sectors present a dramatic contrast (GOU 2001b:103). Only 6 project interventions from 6 donors are shown for education, while about 50 project interventions from 23 donors are shown for health. The data reported in Table E-2 in Annex E suggest that part or all of the difference may be explained by gaps in the data presented for education in *PEAP 3*.

¹⁶ This contrasts with Datta-Mitra, who reports 250 active projects in January 1999.

¹⁷ Six non-project forms of assistance (budget support, import support, commodity aid, emergency relief, line of credit, and debt relief payment support) are counted as six “projects” in the “Multi-sector” category. There are 95 active agreements within these six sub-groupings.

¹⁸ As reported by the DFID Office in Kampala.

Harmonization

3.76 Differences in project procurement, budgeting, disbursement, and reporting procedures among donors multiplies transaction costs for executing agencies. Government and some donors believe that despite the movement toward budget support, progress in harmonizing procedures, especially for project aid, is moving too slowly. Line ministries complain in particular about differences in project procurement regulations and cite those of the World Bank as being especially complex and slow.¹⁹ Key informants in government echoed the *PEAP 3*, which suggests that:

“The best way to harmonize donor procedures is to harmonize around the Government’s own procedures.” (GOU 2001:78)

3.77 *Tying*. In spite of prolonged untying discussions among donors under the aegis of the OECD Development Assistance Committee (DAC), aid project procurement in Uganda often remains tied, formally or informally, to sources in the donor country.²⁰

3.78 *Project implementation units (PIUs)*. Of particular concern is the persistence of PIUs and the topping up of salaries of staff in these units.²¹ *PEAP 3* identifies five issues:

- 1) PIU management is poorly linked to other government agencies.
- 2) Capacity-building within the PIU does not necessarily strengthen the ministry where it is located.
- 3) Selection and composition of technical assistance through PIUs tend to reflect donor rather than government preferences.
- 4) PIU pay scales are typically beyond government scales, causing resentment and distorting incentives.
- 5) Reporting of disbursements to government is inadequate. (GOU 2001b: 10)

3.79 *Transparency*. The government also complains of great difficulty in obtaining information on planned aid flows from donors even for one year ahead, particularly for projects. This severely curtails the ability to integrate project aid into the resource allocation process. According to the MFPED, lack of information is particularly acute regarding the “substantial resources” that donors channel to districts through NGOs, Community-based Organizations (CBOs) and other Civil Society Organizations (CSOs).

3.80 *Related donor-specific issues*. Several local donor representatives cited constraints on their ability to support country-led partnership that could only be addressed by their headquarters. The prospects of securing desired changes from headquarters varied from donor to donor and issue to issue. Among the constraints mentioned were the following:

- Headquarters policies that restrict the ability to move to budget support and harmonize procedures.
- Fragmented aid institutional architecture in donor capitals that makes it difficult to align project assistance with sector strategies.
- Lack of sufficient staff and delegated authority to the field.

¹⁹ One example was cited by a line ministry where only 40% of Bank funds had been disbursed by the end of the planned implementation period, a record that was attributed to the complexity of procurement procedures.

²⁰ Agreement among DAC donors to untie with respect to least-developed countries was reached in 2001, but implementation has reportedly moved slowly.

²¹ These concerns are raised explicitly in the *Report of the Workshop on Partnership Principles, 17th-18th September, 2001* (GOU. 2001f:9).

Technical Assistance and Capacity Building

3.81 Technical assistance bundled with donor-funded investment projects is seen by government as supply-driven, high-cost, and associated with standalone project implementation units. *PEAP 3* frames the issue in the following terms:

- “Technical assistance (including long-term experts and consultants) continues to play an important role in Uganda’s economic reforms, but it has two significant drawbacks: it is a very expensive input, and it can sometimes substitute for, rather than complement, the development of local capacity. It is almost entirely funded on the development budget and mostly by donors, which has reduced government’s control over its allocation. It may, therefore, be used in some projects where government would prefer other inputs to be funded by the same resources.”
- “In some cases, the employment of technical assistants on donor-funded projects is motivated by the donor’s need for accountability rather than the absence of local capacity. This is not an appropriate use of funds on the Ugandan government’s budget and government strongly urges donors not to impose technical assistance as a form of accountability condition on particular projects.” (GOU 2001b: 51)

Aid Coordination and Budget Support

3.82 Budget support aid may be creating two classes or “camps” of donors to Uganda. Several donor representatives interviewed expressed concern that because they were not providing budget support aid, they felt ill-informed about key groups, such as the Poverty Eradication Steering Committee, to which they are not invited. Similarly, they did not feel they were well informed or adequately consulted about key policy issues. When consulted by a donor providing budget support, there was often insufficient time to respond.

Costs and Benefits of Partnership

3.83 Several donor interviewees complained about the high transaction costs of partnership mechanisms in Uganda. However, all interviewees believed that the benefits exceed the costs of aid coordination mechanisms, especially at the sectoral level.

3.84 *Visiting missions.* Several donor interviewees complained about the large size of PRSC missions and the substantial time commitment required to interact with them. They wondered if transaction costs could not be reduced by more attention to preparation and electronic communication. One response to this concern is that the PRSC in effect takes the place of several projects financed by several donors. While the transaction costs of a PRSC mission are high in the short run, over the course of a year, the government (and local donor representatives) is spared the cost of a number of smaller missions.

3.85 The foregoing does not imply that local donor representatives do not desire consultation with visiting missions. The recent World Bank Country Assistance Evaluation for Uganda recounts how a visiting Bank education sector mission generated considerable criticism among locally based donors for inadequate consultation. Consequently, previous donor commitments and positions were ignored in negotiating a US \$150 million credit for the sector (Datta-Mitra 2001:203).

Challenges

3.86 A number of challenges need to be addressed to bring about more effective country-led partnership in Uganda:

3.87 *Surmounting the macro challenge.* The combined effect of implementing the PEAP and decentralization to local government has been to expand vastly the demand for public services at the local level. However, if a donor is prepared to provide additional budget support during the budget year, the offer will be turned down by MFPED if it would entail breaking the annual MTEF ceiling. Determining the actual macro-effects of growing aid inflows requires a better knowledge of the relationships between the inflows, the real exchange rate, and productivity growth.²²

3.88 *Commitments on Budget Support.* Several donor interviewees expressed concern about the obvious fungibility of budget support, making it vulnerable to adverse reactions from donor capitals to an escalation in defense expenditures, border conflicts, or corruption. The government has accepted the challenge of meeting this concern.

- *PEAP 3* accepts two commitments regarding budget support aid: (1) continuation of an agreed cap on defense spending, currently at 2% of GDP; and (2) increasing the share of public expenditures in the Poverty Action Fund (PAF). (GOU 2001b: 71). The cap on defense spending, which originated in 1998/99 when several bilateral donors raised the issue, is viewed as important for “maintaining the credibility of budget support from the point of view of donors, since political support for budget support would immediately evaporate if budget support donors were shown to have allowed Government to increase military expenditure” (GOU 2001b: 26-27).²³
- Macroeconomic stability is accepted as a precondition for budget support. For sustaining budget support, *PEAP 3* recognizes that there must be a positive assessment of Uganda’s contribution to regional stability and an acceleration of progress on four inter-sectoral issues: (1) procurement; (2) pay and pensions reform; (3) revenue mobilization; and (4) the anti-corruption effort. “These areas are particularly important for budget support because the provision of budget support requires that donors have confidence in the Government budgetary process” (GOU 2001b: 71).

3.89 *GOU proposals to increase the effectiveness of project aid.* *PEAP 3* sets out policies that the government plans to follow with respect to five aspects of project aid (GOU 2001b:27-28; 75-78).

- 1) *Identification.* Donors with project proposals are requested to employ the relevant SWG as a forum. In coordination with SWGs, MFPED will set two budget ceilings per sector, one for GOU/donor budget support and the other for donor project support. The purpose of this “interim approach” is to limit the amount of project financing in a sector in any given budget year.
- 2) *Design.* Project designers are cautioned to “be aware that the Development Committee scrutinizes the use of different inputs and may send a project back for redesign if unconvinced.”
- 3) *Project Implementation Units.* The establishment of new PIUs is discouraged on grounds that they “may attract the best staff from Government, further reducing the capacity of the relevant ministries.” Donors are instead encouraged to position new projects in an executive agency “with a clear mandate from Government” or into a ministry. Integration into a ministry will depend on capacity in the ministry and pay reform to enable attracting qualified managers. (GOU 2001b:10)

²² The government, the World Bank, and one or two other donors plan to undertake an empirical study to shed more light on these relationships.

²³ According to data published by the Stockholm International Peace Research Institute, the ratio of Ugandan defense expenditures to GDP varied between 1.8 and 2.1% during the latter half of the 1990s.

- 4) *Procurement*. Noting, “Transparency of procurement applies to donors as well as Government,” *PEAP 3* calls for full information on donor procurement processes and participation in the evaluation process, “even if the process takes place in the donor country.” While strongly expressing a preference that aid be untied, the government has indicated that where donors are bound to tie procurement, they “may need to identify the sectors in which they have ‘comparative advantage’ so that tying will do least harm” and that “Government can help in this process.” (GOU 2001b: 77)
- 5) *Accounting*. Donors are urged to cooperate with the government’s commitment and control system as it is extended to donor-funded projects and to increase their reliance on government accounting and audit systems, in part because “donors’ own accounting procedures are themselves not failsafe.”

3.90 *Technical Assistance (TA) and Capacity Building*. A key challenge for partners is to find more effective ways of supporting capacity building at the local level for both implementation and accountability. The ideal arrangement for acquiring TA from the government’s perspective would be to buy it with resources from a common fund. Recognizing that most donors who provide TA would be unwilling to contribute in this way, *PEAP 3* proposes a *central clearing-house* in MFPEd. Before deciding on TA placements, donor agencies would be encouraged to liaise with the clearinghouse, which would have systematic information on TA requests from districts and sector working groups. The SWGs would coordinate requests from all agencies within the sector.

3.91 *Supporting government leadership of aid coordination*. Government is seeking greater leadership of SWAp processes, including the Sector Working Groups (SWGs). It recognizes that increased responsibilities will impose new challenges and will require a competent technical secretariat for each SWG.²⁴ A major challenge is formulating a Strategic Investment Plan (SIP) in the majority of sectors.²⁵ A related challenge is developing a coherent sector approach for SWGs that include several different Ministries with differing interests and competing budgetary claims (e.g. Public Administration). To support this evolution, donors may need to step back from leading roles they have previously played.

3.92 *Partnership with Parliament*. As noted in a previous section, Parliament is becoming engaged in the budget process at an earlier stage. There is also interest among members of the Budget Committee in establishing a more regular, ongoing dialogue on development issues with the donor community. *PEAP 3* suggests “it may be helpful for donors to make reports on accountability issues to the relevant Parliamentary committees” (GOU 2001b: 55).

3.93 *Aid coordination and managing the transaction costs of partnership*. In preparation for PRSC 2, the government has reviewed cross-sectoral coordination mechanisms with a view to streamlining them. While there is a shared view among stakeholders that streamlining can and should occur, donors with a limited presence also complain that they are poorly informed and consulted. The government suggests in *PEAP 3* that “forums are also needed specifically for exchange of experience between Government and donors on their partnership.” Pointing to the mechanism provided for this purpose under the PRSC (the PRSC Steering Committee), *PEAP 3*

²⁴ *PEAP 3* suggests that such a secretariat is likely to be the planning unit of “the most important ministry in the sector” (GOU 2001b:8).

²⁵ Three sectors have operational SIPs: Education, Health, and Main Roads. SIPs are currently being developed for (1) Water and Sanitation; (2) Justice, Law, and Order; and (3) Social Development. The Plan for Modernization of Agriculture provides a framework for agricultural and rural development but does not constitute a SIP. The recent SWG guidelines recognize this constraint by indicating that in the absence of an approved SIP, a SWG should ensure that its sector BFP is consistent with relevant Ministerial policy statement(s). (GOU. 2001c:2)

proposes that “a regular channel of communication may need to be established” for other donors (GOU 2001:83). The recommendations of *PEAP 3* are to be reviewed at a workshop prior to the 2002 CG meeting. This workshop could identify indicators to track partnership performance by donors and government.

Results Orientation

Background

3.94 *Working definition.* The principle of “Results Orientation” is a process that entails:

- 1) Design of programs in support of the national development framework with clear and evaluable objectives that contribute to framework goals.
- 2) Monitoring, regular reporting and sharing of progress, with a focus on and accountability for results, including outcomes and goals, rather than focusing only on inputs.
- 3) The creation and enabling of capacities to generate, monitor and utilize results information to improve performance in achieving goals and accountability.

3.95 As regards the first process, Uganda through the Ministry of Finance, Planning and Economic Development (MFPED) has designed a Poverty Monitoring and Evaluation Strategy (GOU 2001f) that supports the Poverty Eradication Action Plan (PEAP). Within the strategy, there are several institutions involved in the process of data gathering and reporting not only on inputs but also on outputs, outcomes, and impact of Uganda’s development programs.

3.96 According to the PRSC 2 pre-appraisal mission report, October 10-31, 2001, it is envisaged that Cabinet will approve the National Poverty Monitoring and Evaluation Strategy by March 1, 2002. Thereafter, the strategy will be built into the government budget in phases to facilitate the operationalization of the strategy. The scope of poverty monitoring for results ranges from monitoring the different levels of the development process that entail: inputs, outputs, intermediate outcomes and impact (poverty monitoring is mostly the last two), to understanding linkages between the levels. Information is collected from line ministries on input-output data, while that on outcomes and impact is derived from periodic surveys and studies (e.g. the Demographic and Health Survey, taken every five years; the annual National Service Delivery Survey).

3.97 Poverty monitoring also requires monitoring of public expenditures by assessing public service performance through Output Oriented Budgeting (OOB) and Results Oriented Management (ROM). Assuring transparency and accountability in government systems is the responsibility of the Inspector General of Government (IGG). This means that a clear accountability chain needs to be established – between managerial accountability and political accountability, between different layers within the administration (vertical accountability), and between the executive and parliament (and/or civil society; horizontal accountability).²⁶

3.98 The key entities involved in coordinating the monitoring of poverty eradication are summarized in Box 3.6 below. All these aspects of monitoring have been captured under the draft national poverty monitoring strategy. The issue is whether adequate institutional capacities exist within government to implement the strategy.

²⁶ Drawn from Fölscher 2001.

Box 3.6. Poverty Monitoring Coordination Mechanisms

The Poverty Monitoring and Analysis Unit (PMAU) located in MFPED is the main government unit in coordinating poverty monitoring. The government is able to disseminate information and give a more holistic picture on any changes in the different dimensions of poverty to the public through publication of the Poverty Status Report (GOU 2001d).

A Poverty Monitoring Network (PMN), launched in July 2000 oversees the operationalization of the poverty monitoring strategy. The PMN meets quarterly to coordinate data gathering efforts and streamline plans and their timing. The PMAU is the secretariat for the PMN.

The Poverty Eradication Working Group (PEWG), chaired by the MFPED, reviews all the Medium-term Budget Framework Papers (BFPs) produced by all sector-working groups. The PEWG guarantees that poverty is carefully assessed in order to enhance harmonization of procedures and plans between the different sectors.

Coordination of all poverty monitoring activities lies with the Poverty Eradication/PRSC Steering Committee, whose membership is comprised mainly of permanent secretaries from the line ministries, donors, chairpersons of national umbrella civil society groups, chairpersons and directors of main private sector groups. A PRSC subcommittee on M&E has been recently established to coordinate M&E policy and activities across government.

Progress

3.99 Uganda's ability to collect results data systematically dates back to the 1992/1993 Integrated Household Survey (IHS), which provided information on socioeconomic indicators for poverty measures at the household level. However, the analytical results from the 1992/93 survey took several years to become public. The Uganda Bureau of Statistics (UBOS), which conducts the IHS, has adequate data collection and initial processing capacity but is still weak on data analysis. UBOS is also responsible for conducting the National Socioeconomic Survey and the National Service Delivery Survey.

3.100 The sampling framework used by UBOS has been the same since 1992/93 except the sample size, which has varied between 6,000 and 11,000 households. One of the most widely cited trends drawn from these surveys is that the share of the population below the absolute poverty line has declined from a baseline level in 1992/93 of 56% to 35% in 1999/00. UBOS is currently discussing with MFPED and donors about the possibility of changing the yearly household surveys from annual reviews to every other year so that the sample size could be increased to an adequate profile and to make the surveys more cost-effective.

3.101 The Uganda Participatory Poverty Assessment (UPPA), conducted in 1998/99 has enriched the IHS data for 1999/2000 by the incorporation of its findings into IHS data collection instruments. While the data on poverty between 1992 and 2000 were important in informing the PEAP process on changes in poverty levels, the participatory assessments have been useful not only in yielding information on the qualitative aspects of poverty, but also in linking the perspectives of the poor to the policy formulation process (the PEAP). In this regard, UPPA2 fieldwork is underway for 2001/02, implemented by Oxfam (UK) through MFPED. UPPA2 is focusing on two main themes: 1) deepening the understanding of poverty and poverty trends, and 2) understanding people's experiences with selected government policies.

3.102 With regard to the extent to which information is fed back into decisionmaking, including resource allocation, some progress has been made particularly in the education sector and for the

Poverty Action Fund (PAF), respectively. The education sector uses enrollment rates to determine access to education for girls and boys, while PAF monitoring has facilitated increased budget allocations to priority areas.

3.103 Other institutions that have developed results information analysis capabilities include:

- 1) The independent Economic Policy Research Center (EPRC), located at Makerere University, conducts economic policy research and some studies on poverty, using mainly the IHS data.
- 2) NGOs and civil society organizations such as the Uganda Debt Network and Development Research and Training, provide an independent view on poverty by conducting their own studies, rendering further analysis of the IHS data.
- 3) Line Ministries such as: Education; Health; Water, Lands and Environment, Agriculture, Animal Industry and Fisheries collect their respective input-output data but also report on outcomes through sector studies.
- 4) Donors: Use various data sources for their own performance monitoring and provide an independent source of information regarding progress not only on poverty but also on other pillars of the PEAP such as: governance, some dimensions of health, education, natural resources and the environment.

Strength of the Poverty Monitoring Strategy

3.104 The strategy will provide a systematic assessment about the performance of the national budget through the formulation of medium-term Budget Framework Papers by Sector Working Groups. The monitoring systems proposed by the strategy will also strengthen tracking of funds to priority areas identified in the Poverty Action Fund (PAF). The head of Public Service and Secretary to the Cabinet, and address at the recent Budget Consultative Workshop, observed that:

The policy and institutional framework for managing the Poverty Action Fund is recognized as one of the most successful elements within our Public Sector Reform... Most importantly, PAF is leading us in the process of providing effective accountability, and monitoring and evaluation mechanisms. (GOU 2001g)

The Role of Civil Society:

3.105 The involvement of both government and civil society organizations in monitoring use of PAF funds is important for transparency in the use of funds. In citing their experience of PAF monitoring, civil society representatives note that monitoring of public expenditure by the communities is presently considered one of the most important activities to improve the quality of services for the poor.²⁷ However, some civil society representatives also shared their concern about information flow between the various levels and the extent to which poor people at the grassroots have been involved in monitoring of their poverty status.

3.106 Civil society, in particular the Uganda Debt Network (UDN), has taken a more proactive role in poverty monitoring by engaging civil society organizations at the grassroots. One example is the Kamuli Poverty Monitoring Committee (PMC) in Kamuli District (Eastern Uganda), which

²⁷ Paper presented by Uganda Debt Network at the Budget Consultative Meeting, November 12-13, 2001 in Kampala.

with support and training from UDN, has carried out PAF monitoring exercises in the town council and nine sub-counties of Kamuli (See Box 3.7).

Box 3.7. Kamuli Poverty Monitoring Committee (PMC) Monitors the Implementation of PAF:

The civil society-based PMC of Kamuli District was assisted by the Uganda Debt Network (UDN) to monitor the PAF through: 1) organized dialogue with politicians, district officials, extension staff and departmental heads; 2) collection of information from people at the grassroots, through institutions such as primary schools, health centers and other local administrative units.

Findings from the monitoring exercise were presented at a workshop to provide feedback to all stakeholder groups. While politicians viewed the findings as anti-politicians, the District technical officials have used the report to prepare a comprehensive plan in response to the findings as a way forward. The PMC has followed up with the respective departments, such as health, where the PMC reports that the delivery of drugs to health units has improved as a result.

The experience of the Kamuli PMC has been summarized in a report that was shared with other district and ministry representatives at the government-wide Budget Consultative Workshop held November 12-13, 2001. Specific findings regarding use of PAF funds are available in this report. Uses include primary schools, health centers, and other local administrative units.

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Strategic Level Issues

Weaknesses of the Strategy

3.107 The production of needed indicators is limited owing to lack of a coherent monitoring system to integrate data collected from different sources. There are also differences in concepts and definitions used by the different institutions. Some pillars and sectors of the PEAP still lack short- and medium-term targets. For others such as, increasing incomes for the poor, there are as yet many undefined indicators as well as targets. For example, “accessibility to markets” lacks a measurable definition.

3.108 Not many of the PEAP indicators are gender-disaggregated. For the few that are gender-disaggregated such as: literacy by sex, access to extension services by sex and others, there is no evidence of their being collected as stipulated at the sectoral level, with the exception of the education sector.

PEAP Goals and their Linkage to the Millennium Development Goals

3.109 The PEAP was first launched in 1997, but data for measuring progress on poverty was first collected systematically in 1992/93. The issue therefore is which is a better baseline year for measuring progress on the four pillars of the PEAP? If the focus was to be placed on the impact

of specific interventions aligned with the PEAP in respective sector-wide approaches, then 1997 would be the preferred baseline year. However, if the focus was to be consistent with reporting on the MDGs whose baseline tends to be 1990, then 1992/93 would be the preferred baseline year.

3.110 The magnitudes of several Uganda PEAP targets, to be achieved by 2017, are more ambitious than those set for the Millennium Development Goals (MDGs), to be achieved by 2015. For instance on the issue of poverty, while the MDG target is to halve the proportion of people whose income is less than one dollar a day in 25 years, the PEAP target is to reduce the number of such people by 71 percent (to 10%) in 17 years. As might be expected for a national framework, as opposed to a global one, the PEAP provides for tracking a relatively large number of targets and indicators. Comparisons for selected sectors are shown in Table 3.2 below. It will be noted that the PEAP does not always set goals in the same areas as the MDGs (e.g. for reducing hunger).²⁸

Table 3.2 Linkage of PEAP Targets and Indicators to MDG Targets

Sectors	PEAP Targets & Indicators	Millennium Targets
Rural Sector	Increasing Incomes for the Poor 1. Incidence of poverty (from 35% in 2000 to 10% by 2017) 2. Income/expenditure of bottom 20% 3. Number & proportion of population living under thatched houses.	Halve, between 1990 and 2015 the proportion of people whose income is less than one dollar a day.
	1. Increase yield rates of major crops 2. Access to productive assets: land & financial services for the poor 3. Improved road access to markets.	Halve, between 1990 and 2015, the proportion of people who suffer from hunger.
Health Sector	Improve Quality of Life of the Poor 1. Child mortality rate every 5 years (current 97/1000, targeted 68/1000 by 2005). 2. Improved immunization rates (from 41% in 1999 to 80% in 2003) 3. Annual HIV prevalence rates (from 10% in 2000 to 6% by 2005).	Reduce by two thirds, between 1990 and 2015, the under-five mortality rate. Halt and reverse spread of HIV/AIDS by 2015.
Education Sector	1. Literacy rate by sex 2. Education performance at primary leaving exam (PLE) level by 2003 (74% Male, 57% female to 100%).	Ensure that, by 2015, both boys and girls complete primary education.
Water and Sanitation Sector	Increase number & proportion of people within ½ km to safe water & good sanitation (47% in 1999 to 100% in urban areas by 2010 & rural areas by 2015).	Halve by 2015 the proportion of people without sustainable access to safe drinking water.

Source: Rates and targets extracted from the PEAP, the M&E Strategy, and the *UN Road Map for the Millennium Summit Goals* (September, 2001).

²⁸ *PEAP 3* cites the first 7 IDG/MDG targets and calls for a joint effort by government and donors to collaborate in developing reports that “help to monitor Uganda’s performance in an international perspective.” Beyond this reference, neither of the PEAP volumes nor the Poverty Status Report (PSR) mention the MDGs or the IDGs.

Operational Issues

3.111 *Coordination is a significant issue.* Box 3.2 and the preceding paragraphs suggest that coordination among entities responsible for collecting, analyzing, interpreting, reporting, and disseminating results information will require close attention.

3.112 The strategy has mapped out short-, medium- and long-term activities, whereby short-term is defined as activities to be undertaken within five years. Some of these key activities include: setting up a database for poverty monitoring indicators and conducting a national population and housing census in August of 2002. Some of the medium- and long-term activities include: setting up a clear M&E system in local governments, an institutionalized mechanism for participatory monitoring within communities, and setting up a National Evaluation Institution that is independent of government. Successful implementation of the strategy will depend heavily on how quickly resources can be made available to various implementing agencies to enhance their capacity to undertake the envisaged short-, medium-, and long-term activities.

Lessons Learned

On Country Capacity:

3.113 One of the key case study questions under the results orientation principle is whether Uganda has increased its capacity to collect, analyze, and disseminate results-oriented performance information? The documentation gathered and the key informants interviewed for the case study lead to the conclusion that this capacity has significantly increased. However, civil society and private sector respondents to the survey questionnaire employed during the case study were less positive about such a conclusion than government respondents.

3.114 The main analytical capability in terms of accessing and further analysis of household surveys undertaken by UBOS has been attributed to the Economic Policy and Research Center (EPRC) at Makerere University and to expatriate consultants hired by donors such as the World Bank. In the past, these consultants provided on-the-job training in data collection to their counterparts, but tended to complete the analytical work back at their institutions of origin. Such modes of operation for capacity development deprive national counterparts of the opportunity to absorb the necessary analytical skills after their data collection initiatives. This is one reason given to explain limited analytical capability at UBOS.

3.115 The concept of a results orientation is not fully appreciated by the majority of data producers and users. There is limited training in monitoring and evaluation. Data collection in most institutions or line ministries focuses on the output level and at most on the management-oriented (ROM) level. There is need for further training on linking outputs to intermediate outcomes and higher-level results. Among bilateral donors, USAID stands out as having adopted results-orientation in its planning, budgeting, monitoring and evaluation and in assisting its counterparts to adopt the approach.

On Sustainability of Data Collection and Dissemination:

3.116 Most if not all data collection efforts in Uganda have been donor funded. The concern therefore is how data collection will be institutionalized given that there is need to go beyond what is currently being collected at the household level. Currently there is no other institution other than UBOS that collects national level data; others provide subject specific data or case

studies. Institutionalizing the poverty monitoring strategy is a step in the right direction because of the likelihood that the strategy will be rolled into the budget process for funding.

Challenges

3.117 The culture and incentives to generate and use results information at the operational level are still lacking. A few sectors such as education, health, and roads have demonstrated good use of information.²⁹ The reporting culture within government institutions on progress of programs is still lax. One example is the recent survey on national service delivery, for which results have not been widely circulated back to the districts to help them improve their performance.

3.118 The adoption of processes to monitor effective service delivery is yet to be institutionalized. Key informants in government reported the need for conducting “value for money audits” in order to improve delivery of services to the poor.” Only a few value-for-money audits have been conducted in Uganda by private sector consultants: two in education in 1996 and one in health in 2000. (Hauge 2001)

3.119 A Results Oriented Management (ROM) scheme was initiated in 1995, and Cabinet approved a plan for its introduction to all ministries and districts.³⁰ A remaining issue is the integration of ROM and Output Oriented Budgeting (OOB) in the monitoring and evaluation action plan by March 2002, as has been recommended by the PRSC 2 pre-appraisal mission. Successful integration depends on a clear alignment between the budget, institutions, and programs. If indicators for OOB and ROM are not aligned, individual managers may pay more attention to those indicators that affect their personal advance, and neglect output, outcome, and cost indicators. An additional challenge is to what extent OOB and ROM will be used to inform managers to improve performance not only for planning and budgeting purposes but also for re-allocating resources and staff.

3.120 For some donors, there is an issue of how measurement and responsibility for results and accountability will be assessed when budget support is provided. For some donors, being able to attribute tangible outcomes and impact to their assistance was still a major issue for their respective governments.

3.121 Strengthening capacity for monitoring and evaluation must go beyond government if the principle of results-orientation is to be rooted firmly in Uganda. Civil society in particular does not have sufficient capacity to participate effectively in the complex budget process. Yet, civil society has an important role to play by demanding greater transparency and accountability from government.

²⁹ One reason given for more attention to results information in education is that head teachers have the incentive to use enrollment figures because they enhance their budget requests.

³⁰This paragraph draws on Fölscher 2001 and Hauge 2001.

4. Sequential and Reinforcing Relationships Among the CDF Principles

4.1. The preceding sections convey the importance of sequence and reinforcing relationships among the CDF principles in Uganda's experience (also see separate papers on education, health and water and sanitation). First came *ownership*, exemplified by a country decision that basic macroeconomic and market liberalization reforms were essential. This was followed by the elaboration of a *holistic development strategy*, the PEAP. Crucial to the operational relevance of the strategy was its costing and firm anchoring in the budget process. This required not only that planned budgets be consistent with the Medium Term Expenditure Framework (MTEF), but also that *budget discipline* (hard budget constraints) be maintained during the fiscal year. The Poverty Action Fund (PAF), with its origins in HIPC and its precursor, the Uganda Multilateral Debt Fund, further enhanced country ownership and contributed to the overarching development strategy objective of poverty eradication.

4.2. The sweeping decentralization embodied in the Local Governments Act of 1997 reinforced ownership through the participatory processes it mandated at the local and community levels.

4.3. These applications of the first two CDF principles in turn encouraged development partners to expand aid to Uganda and to shift their approaches and practices in directions that strengthened *country-led partnership*. The most obvious of shift has been the move of several donors away from project support toward budget support at the sectoral and general levels, including through the PAF. Even among those donors providing project support, the SWAp mechanisms have resulted in greater alignment with sectoral strategies and budget frameworks. These developments have, in turn, reinforced country ownership.

4.4. Application of the three CDF principles has required that more attention be paid to *results orientation*. The combined impact of decentralization, the PEAP, and SWAps, further reinforced by the Universal Primary Education Initiative (UPE), has unleashed demand from communities, civil society organizations, and Parliament for improved public services and for greater transparency and accountability. The *Poverty Monitoring and Evaluation Strategy*, to be submitted to the Cabinet and Parliament in 2002, and ongoing efforts to implement results-oriented management and output-based budgeting in government, and poverty monitoring by CSOs, reflect the increased attention being given to the fourth CDF principle.

5. Some Dilemmas and Issues for Stakeholders

5.1. The foregoing review of Uganda's experience surfaces some key dilemmas and issues for the main stakeholder groups.

Central Government

5.2. *Dilemmas of Aid Dependence.* The decade-long expansion in ODA and the more recent shift to budget support pose a potential dilemma. To the extent that budget support aid results in greater expenditures on non-tradable goods and services, without corresponding growth in productivity, the greater the adverse impact on inflation or competitiveness (through exchange rate appreciation), or both. A much needed empirical study of the relationships among these variables in Uganda is being undertaken by a team of Ugandan and international consultants, with the support of the government, the World Bank, and one or two other donors.

5.3. *Whither the PAF?* In some quarters of government and among some donors, the view prevails that the PAF has outlived its usefulness. They point out that in the face of revenue shortfalls, important budget items outside the PAF suffer disproportionately. On the other hand, those donors who earmark support for activities within the PAF argue that the protection against cuts afforded by PAF status helps to maintain home support for the Uganda aid program.

5.4. *Lagging Second Generation Reforms.* Pay reform is at the top of the list of reforms critical to decentralization and improving service delivery and quality. Slow progress in implementing anti-corruption and accountability measures, including accelerating tardy tracking and other monitoring reports, are also at the top of the list. Other not-yet-completed reforms impede moving to a full SWAp in some sectors.

5.5. *National Planning Authority.* The proposal to establish a National Planning Authority (NPA) will come to a head when, as expected, a bill is tabled in Parliament in 2002. As noted in a previous section, views and concerns about the proposal varied among informants interviewed by the case study team. The implications of NPA for the current system, which anchors the PEAP in the budget process, will depend on how its responsibilities are defined.

Local Government

5.6. *Barriers to Accessing Funding.* Notwithstanding the decentralization of responsibility for service delivery, districts are limited in their ability to reallocate funds to take account of local conditions or changing circumstances. Several systemic factors tend to delay the release of funds to districts and lower levels of local government. A recent joint sector review reports that: "persistent delays in the flow of funds to districts and health units emerged as one of the main constraints in effective service delivery." This discourages longer-term planning and results-oriented management.

5.7. *Critical Local Government Capacity Constraints.* Expenditures in key sectors have in the last few years shifted sharply to the district and sub-county levels. Decentralization and expansion at the local level has resulted in the recruitment of large numbers of new staff, many of whom require considerable in-service training (e.g. teachers). Positions calling for a high level of technical qualifications often remain unfilled. Related capacity problems include weak procurement capacity, poor quality of construction, and deficient tracking and monitoring. Low and delayed pay and lack of basic amenities compound staffing difficulties in remote areas.

Parliament

5.8 *Evolving Roles.* The Ugandan Parliament, now in its 7th session, is likely to be more active and direct with respect to issues having a bearing on implementation of the CDF principles. There are several explanatory factors, including membership expansion (districts have increased from 45 to 56 in the last 2 years), growing maturity as an institution, a free and active press, and recently passed and currently pending legislation. As this process of engagement deepens, tensions and new relationships between Parliament and other stakeholder groups can develop. The following examples were suggested in interviews with MPs and other stakeholders:

- *Government.* The Budget Act of 2001, as explained in a previous section, brings Parliament into the budget process at a much earlier stage than previously. There is concern in some quarters of government about downside risks (e.g. delays, threat to macro stability) of this earlier engagement in what is already a complex process.
- *Civil Society.* A proposed bill that failed in the last session of Parliament would have required annual registration of NGOs with government. MPs with whom the team met had mixed views about NGOs, especially those who claimed to speak for the people, a function mandated for Parliament by the Constitution. While, according to one key informant from civil society, most NGOs do not question a registration requirement, which has in fact been in place since 1986, there is widespread concern about making the requirement an annual one, which is seen as a potential device for control.
- *Development Partners.* The MPs with whom the case study team met would like a closer and more regular dialogue with donors. While they recognize that the main relationship for donors will be with government, MPs believe that an expanded direct relationship would be mutually beneficial.

Civil Society

5.9 *Civil Society at a Watershed.* According to a key informant, the number of NGOs registered with the government over the last 15 years has grown over tenfold, from 500 in 1986 to a current list numbering more than 5,000. This number undoubtedly does not include many local community-based organizations (CBOs). In addition, there are a number of NGO umbrella organizations. Among the most prominent are: the Development Network of Indigenous Voluntary Associations (DENIVA), Uganda NGO Forum, and Uganda Debt Network (UDN). Moreover, there are district level umbrella organizations that are affiliated with one or more of the national umbrella groups, such as the Kamuli NGO Network, with whom the case study team met. There are also network or individual NGOs that focus on a particular sector or functional group, such as education, water and sanitation, and farmers.³¹

5.10 The role played by civil society organizations (CSOs) in applying CDF principles has been a significant and growing one. Two issues need to be addressed to sustain and expand this role:

- 1) Uncertainty over the enabling environment for NGOs/CSOs (see previous discussion on pending NGO legislation before Parliament).
- 2) Weak NGO/CSO capacity, especially at, but not limited to, local levels.

Private Sector

5.11 *Private Sector Frustrations.* In its conversations with representatives of private sector associations, including the Uganda National Chamber of Commerce and Industry and the Uganda Manufacturers Association (UMA), as well as with several small- and medium-scale industrialists

³¹ There are also a range of other civil society organizations, including religious bodies, labor unions, and professional organizations with which the case study team had no contact.

in Kampala and in district visits, the case study team sensed clear frustration about the operating environment for the private sector. There was also a universal view that government was not sufficiently *proactive* in its support of the private sector. Some key informants expressed a feeling of being “abandoned” by the government once the basic macro and liberalization reforms had been enacted. While there was general support for the PEAP and the *Medium-Term Competitive Strategy for the Private Sector (2000-2005)* (MTCS) (GOU 2000a), a common complaint was that implementation of MTCS recommendations were lagging.³²

Development Partners

5.12 *Vulnerability of Budget Support.* As noted in the section on country-led partnership, donors who have increased the share of their aid provided in the form of budget support also expressed concern over increased vulnerability to sharp reductions in aid in the event of a public flare-up of political and governance issues (e.g. over the defense budget).

5.13 *Whither Project Aid?* The government has clearly expressed a preference for budget support over project aid and additional donors are moving in that direction. In the case of continuing project assistance, it has declared that parallel project units or project implementation units (PIUs), and associated practices, such as topping-up of salaries, are not government policy. Yet, these practices persist and remain vexing problems to government (see report of the September 2001 Workshop on Partnership Principles; GOU 2001e: 9). One donor informant noted that if topping off is to be eliminated, *all* donors must agree to do so, and that the savings could be used to help support pay reform.

5.14 *Reporting and Other Procedural Issues.* Government informants complained about divergent disbursement and reporting cycles and requirements, even in the case of sector budget support (e.g. additional, donor-specific reporting requirements added to the semi-annual Health Joint Sector Review missions). Project aid in addition typically entails donor-specific procurement procedures and “safeguard” requirements (e.g. environmental assessment).

³² Although the MTCS, which was issued in August 2000, does not mention the PEAP by name, it is clearly relevant to the first “pillar” or Goal of the PEAP: “Creating an enabling environment for rapid and sustainable economic growth and structural transformation.” Draft Volume III of the PEAP shows the MTCS as the “overarching cross-sectoral plan” for Goal 1 (GOU 2001b:84).

6. Challenges Ahead

6.1 Several of the dilemmas and issues identified in the previous section translate into challenges faced by stakeholders in deepening the strides Uganda has made in implementing CDF principles.

Central Government

6.2 *Financing the PEAP and Managing Expectations.* If not all programs in the PEAP can be financed in the medium term, some difficult decisions will be needed regarding reprioritization of existing spending, cutting costs, and/or scaling down and stretching out some PEAP targets. Particularly firm budget discipline will be required. A Long-Term Expenditure Framework (LTEF) could help ensure that the size and timing of allocations are in line with PEAP costings. If absorptive capacity were higher, increased mobilization of domestic and foreign resources would reduce the financing gap.

6.3 *“Letting go” by the center and strengthening local capacity.* The central government provides financing to districts in the form of conditional grants. Although this practice enables them to ensure expenditures are consistent with the PEAP, it also reduces local governments’ ability to respond to changed circumstances. Giving local governments greater freedom in resource allocation will require:

- improved accounting and tracking of the flow-of-funds;
- supporting demand-led, gender-responsive capacity building approaches;
- better timeliness of arrival of funds to local governments; and
- improving the conditions of employment for local staff, especially in remote, hardship areas.

6.4 *Achieving Fiduciary Assurance.* Corruption is a significant concern among development partners as well as for the government. It constitutes an impediment to foreign investment and to official aid in the form of budget support. Pay reform will reduce one incentive for corruption but a continuing challenge will be to vigorously pursue complementary measures, including those in the existing anti-corruption campaign as well as efforts to strengthen financial tracking, account transparency at all levels, and reporting for results (especially value for money audits).

6.5 *Using Results Information: OOB and ROM.* Uganda is a pioneer among low-income countries in introducing two major instruments for using results information to improve performance: Output-Oriented Budgeting (OOB), which feeds results information into the budget process, and Results-Oriented Management (ROM), which feeds results information into institutional and individual performance appraisal processes. However, neither system is fully operational. To maximize the impact of the two systems, they should be integrated or aligned, but they have developed independently in two different ministries. PRSC 2 is to support a series of steps intended to bring about better alignment of the two initiatives.

Government and Development Partners

6.6 The following two challenges are closely shared by government and its development partners.

6.7 *Expanding the SWAp frontier and working across sectors.* The government is embarked on an ambitious course of expanding the Sector-wide Approach, government-wide. Pursuit of this challenge will require the collaboration and support of development partners in particular. New SWAps will be more challenging for several reasons: (1) performance at the outcome level in a

given sector may significantly depend on other sectors, as in health and water and sanitation; (2) some new “sectors,” such as social development, are inherently multi-sectoral in nature; and (3) differences among stakeholders over strategic priorities may be greater in some sectors (e.g. agriculture) than in others. The PRSC provides a framework and processes that can strengthen the type of collaboration and coordination required.

6.8 *Streamlining Coordination.* Stakeholders interviewed by the case study team continue to believe that the benefits of what one key informant called “very dense aid coordination” still exceed the costs. However, some informants believe that the costs of current practice can be reduced without sacrificing benefits. Possibilities include reducing the number of meetings of some groups (e.g. the Water and Sanitation partners have agreed on an annual, rather than semi-annual, Joint Sector Review) and division of labor, with one donor representing one or more other donors in a given forum.

6.9 With the advent and deepening of the PRSC, the need has become obvious at the apex, government-wide level, for a streamlining of the *structure* of coordinating mechanisms. The government is preparing recommendations in this regard for PRSC2.

Parliament

6.10 *Parliament and the Budget Process.* The Budget Act of 2001 created for the first time a standing Budget Committee, supported by a new Budget Office with a professional staff of eight. This innovation holds potential for facilitating a constructive engagement of Parliament in the budget process.

Civil Society

6.11 *Reaffirming the role of civil society.* A new NGO Registration Bill is likely to be tabled in Parliament in 2002. The proposed legislation could reaffirm the participation of NGOs in the development process, but potentially restrictive provisions regarding registration could curtail the role of NGOs.

Private Sector

6.12 *Creating a positive enabling environment for the private sector.* Uganda’s policy calls for private sector-led growth and all parties agree that the high priority accorded by the *Medium-Term Competitive Strategy* (MTCS) to removing remaining obstacles to private investment and exports is merited. Beyond that, though, the government will have to balance the private sector’s desire for more proactive support with the significant risks of costly misallocation of resources into uneconomic investments.

Development Partners

6.13 *Agreeing on Fiduciary Assurance.* The challenge for donors who are considering providing budget support is what standards to accept for fiduciary assurance. Sufficient progress has been made in the two key areas of accounts transparency and financial tracking to persuade DFID, the EU, Irish Aid, and the World Bank to initiate general budget support, with the expectation that further progress is forthcoming.³³

6.14 *Harmonizing Procedures for Budget Support and for Projects.* One aspect of this challenge is sorting out which procedural issues can be resolved in the field and which require policy changes at headquarters level. The uniform progress reporting format recently developed

³³ Tracking studies for education and health have been completed and annual studies for both sectors plus water and sanitation and law and justice are planned (GOU-World Bank. 2001:9).

by a government inter-ministerial committee suggests the possibility that divergent donor reporting requirements could be harmonized around this format.

6.15 *Providing Demand-Led Support for Capacity Building and Letting Go of PIUs.* These are two linked challenges. Project-linked technical assistance and PIUs tend to go hand-in-hand. The government's clear preference is for "stand-alone," demand-led technical assistance mechanisms. This would imply that donors who continue to provide project assistance do so through regular government structures ("MDAs" or Ministries, Departments, and Agencies) and that any associated technical assistance requirements be met by drawing on demand-led mechanisms such as the proposed "clearing house" in MFPED.³⁴

6.16 *Mutual Performance Assessment.* Mutual assessment by both government and development partners of each other's performance currently takes place in varying degree through Joint Sector Reviews, Sector Steering Committees, and cross-cutting groups, including the Poverty Monitoring and Analysis Committee, the Poverty Eradication Steering Committee, and the PRSC Steering Committee, as well as the CG itself. The Workshop on Partnership Principles held in September 2001 constituted one instance of a cross-sectoral review of the performance of all partners in development cooperation. The periodic holding of such a review, perhaps under the auspices of one of the above-mentioned cross-sectoral mechanisms, would provide a means for continuing refinement of objectives, establishment of baselines, and mutual assessment of progress toward country-led partnership.

³⁴ The planned Capacity Performance and Enhancement Program (CAPEP), being jointly designed by MFPED and the World Bank, would support a demand-led approach to TA.

Annex A: Uganda Social Indicators

	Latest single year			Same region/income group	
	1970-75	1980-85	1993-99	Sub-Saharan Africa	Low-income
POPULATION					
Total population, mid-year (millions)	11.2	14.1	21.5	642.8	2,417.1
Growth rate (% annual average for period)	2.7	2.0	2.9	2.6	1.9
Urban population (% of population)	8.3	9.9	13.9	33.8	31.4
Total fertility rate (births per woman)	7.1	7.2	6.4	5.3	3.7
POVERTY					
<i>(% of population)</i>					
National headcount index	..	..	44.4	..	..
Urban headcount index	..	..	48.7	..	..
Rural headcount index	..	..	16.7	..	..
INCOME					
GNI per capita (US\$)	..	180	320	490	420
Consumer price index (1995=100)	..	1	122	131	138
Food price index (1995=100)	..	..	107	..	..
INCOME/CONSUMPTION DISTRIBUTION					
Gini index	..	..	37.4	..	..
Lowest quintile (% of income or consumption)	6.0	..	7.1	..	..
Highest quintile (% of income or consumption)	47.0	..	44.9	..	..
SOCIAL INDICATORS					
Public expenditure					
Health (% of GDP)	..	..	1.9	1.7	1.2
Education (% of GNI)	2.7	3.5	2.6	4.1	3.3
Social security and welfare (% of GDP)	..	..	..	..	..
Net primary school enrollment rate					
<i>(% of age group)</i>					
Total	..	41	..	..	..
Male	..	44	..	..	..
Female	..	38	..	..	..
Access to an improved water source					
<i>(% of population)</i>					
Total	..	16	50	55	76
Urban	..	45	72	82	88
Rural	..	12	46	41	70
Immunization rate					
<i>(% under 12 months)</i>					
Measles	..	17	53	57	64
DPT	..	14	51	59	70
Child malnutrition (% under 5 years)	..	..	26	..	..
Life expectancy at birth					
<i>(years)</i>					
Total	50	48	42	47	59
Male	48	48	42	46	58
Female	51	49	42	48	60
Mortality					
Infant (per 1,000 live births)	111	116	88	92	77
Under 5 (per 1,000 live births)	185	180	162	161	116
Adult (15-59)					
Male (per 1,000 population)	447	463	597	499	288
Female (per 1,000 population)	393	395	590	453	258
Maternal (per 100,000 live births)	..	..	510	..	..
Births attended by skilled health staff (%)	..	..	38	..	..

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment ratios exceeding 100 indicate discrepancies between the estimates of school-age population and reported enrollment data. Latest year for access to improved water source data is 2000.

Annex B. Terms of Reference for Uganda Country Case Study

October 2001

Background

1. The development assistance system has expanded far beyond the scope and structures envisioned by its architects at the mid-point of the last century. Yet, in spite of notable successes in some countries and regions, poverty has increased and concessional flows have shrunk, even as demands for official resources have multiplied. Public concern with the efficacy of aid has grown. It was in this context that the Comprehensive Development Framework (CDF) was articulated by the World Bank President in January 1999.

2. The CDF comprises a set of principles that a number of developing countries and development assistance agencies have been seeking to put into practice over the last two years. The principles on which the CDF is based—long-term, holistic development framework; country ownership; country-led partnership; and results orientation—are not new; they are distilled from development experience over the last five decades.³⁵ They are intended to help resolve persistent problems in the development assistance system, by:

- Bringing about a better balance between macroeconomic and financial issues, on the one hand, and structural, social, and human dimensions, on the other hand.
- Shifting from donor-driven development processes to full ownership by the country.
- Eliminating ineffective coordination marked by aid poorly aligned with country strategies, wasteful competition among externally funded programs, and burdensome donor procedures.
- Using results information to improve the performance and accountability of aid programs.

3. In late 1999, the Committee on Development Effectiveness of the World Bank Executive Directors requested that the Bank's Operations Evaluation Department (OED) undertake an evaluation of the implementation of the CDF. The evaluation has evolved into a multi-stakeholder effort, governed by a 30-member Steering Committee, financed by contributions from nine bilateral donors and the World Bank, and coordinated by a secretariat provided by OED and the Bank's Development Research Group.

4. The evaluation will be conducted over an 18-month period and will be completed by January 2003. It consists of the following main components:

- case studies of five CDF pilot countries (including Bolivia, Ghana, Romania, Uganda, and Vietnam) and one non-CDF pilot country (Burkina Faso);
- four thematic studies and a cross-cutting econometric study; and
- a synthesis report.

The draft findings and conclusions of the synthesis report will be the subject of a multi-stakeholder workshop in November 2002 and will be presented to the Evaluation Steering Committee and the World Bank's Executive Directors in early 2003.

Objectives and Scope of Work

5. In consultation with country representatives, Uganda has been selected by the Evaluation Steering Committee as one of the country case studies. The objectives of the country study are: (1) to assess how CDF principles are being implemented on the ground; (2) to identify the factors

³⁵ See Box 1 at the end of the TOR for “working definitions” of the CDF principles.

that have facilitated implementation of CDF principles and those that have hindered it; and (3) to promote learning and capacity development in countries where CDF principles are being implemented. The evaluation will assess the relevance, efficacy, and efficiency of the development assistance system, including the quality of aid, donor practices, and linkages to the international development assistance architecture and the *Millennium Development Goals* (MDGs).

6. The country study will not constitute a “country evaluation” as normally undertaken by the World Bank and other development agencies, although it will draw on relevant methodologies to assess the performance of development actors. To the full extent feasible, the study will be conducted with the involvement of representatives of the main stakeholders – government, legislature, civil society, private sector,³⁶ donors, and other development agencies. Such representatives will constitute a *country reference group* for the case study. The aim will be to initiate or strengthen a process that informs decisionmakers and leads to institutional change in support of poverty reduction.

7. The Uganda country case study will assess implementation of the four CDF principles individually and in tandem. A set of proposed core evaluation questions is attached to the Terms of Reference. They are subject to refinement and supplementation during the first phase of the study. They are intended to elicit from the perspectives of both recipient and donor stakeholders:

- the extent to which CDF principles are being applied and why;
- the impact on aid quality on the ground in terms of intermediate behaviors and practices;
- evidence of higher level impact in terms of resource mobilization and allocation, and development outcomes and goals; and
- lessons that emerge for improving the impact of development assistance as a whole.

8. The case study will include a more in-depth review of implementation of CDF principles in two or three sectors (e.g. education, health, water).

9. In its preparation and field work the Uganda case study team will work with the country reference group to:

- agree on detailed terms-of-reference, implementation modalities, and format for the case study;
- assemble and analyze pertinent literature, documents, and data sources;
- design questionnaire surveys of key stakeholders, which may be administered by a local institution;
- design key informant and focus group interview protocols;³⁷
- conduct key informant and focus group interviews and analyze the results of the various data sources, including surveys;
- conduct workshops with key stakeholders, including decisionmakers, to discuss and validate the findings of the analyses of surveys, interviews, and other data sources, drawing out their policy and programmatic implications.

³⁶ Private sector stakeholders would include representatives of business associations, such as chambers of commerce, and of business-supported foundations and other philanthropic organizations.

³⁷ The questions posed in the survey and interview protocols will include the core questions proposed in the Annex to this Terms of Reference, as refined and supplemented by suggestions from the Reference Group.

Composition of the Case Study Team

10. The Uganda case study team will be composed of persons who, taken together, are skilled in the following areas:

- Economics (market level and macro-economic level)
- Public sector management, governance, and institutional development and organizational strengthening
- Conducting evaluations of development activities
- Facilitation of group interviews and workshops
- Knowledge of the political economy of development in Uganda.

11. The Uganda team will consist of four persons – a Ugandan consultant, a development agency representative, and two members of the CDF Evaluation Secretariat, one of whom will act as team leader. The team members are:

John Eriksson, CDF Evaluation Secretariat and team leader

Rosern Rwampororo, national consultant

David Pedley, development agency representative (Department for International Development, U.K.)

Mirafe Marcos, CDF Evaluation Secretariat.

Timetable

Preparation	7 days	October 12-22, 2001
Fieldwork mission*	26 days	October 23-November 17, 2001
Interim Report		At end of field mission
Draft Final Report write-up	4 weeks	November 19-December 17
Dissemination Workshop*	4 days	First Quarter of CY 2002 (to be determined)

*to take place in Uganda

Box. 1 The Principles of the Comprehensive Development Framework: Working Definitions

In logframe terms, the CDF principles are *processes* that lead to outputs, outcomes, and goals or impacts. The following working definitions of the principles are framed in terms of processes.

Long-term, Holistic Development Framework

Processes involving:

- 1) Identification of a 15 to 20 year vision statement* containing monitorable development goals that:
 - take into account the broad aspirations of the population, and
 - include sustainable poverty reduction as an overarching goal and related sub-goals that are in the same areas as the MDGs.
- 2) Formulation of a comprehensive yet realistic medium-term (3 to 5 year) strategy* for making progress toward goals, specifically addressing the need for:
 - balance among macroeconomic and financial issues and structural and social concerns,
 - setting priorities in the face of capacity and hard budget constraints,
 - time-bound, concrete actions, with attention to phasing and sequencing.

Country Ownership

Processes involving:

- 1) Identification of development goals and formulation of strategy by the country, not by development assistance agencies.
- 2) Regular and broad-based stakeholder participation,³⁸ with evidence of sustained public support from top political leadership and intellectual conviction by key policymakers.

Country-Led Partnership

Processes involving:

- 1) Government leadership in the management and coordination of aid resources, including:
 - analytical and diagnostic work;
 - aligning external support on the basis of the country's development strategy and development agency comparative advantage;
 - harmonization of development agency procedures and practices, e.g. procurement, reporting, and evaluation.
- 2) Relations among government, development agencies, other stakeholders, marked by:
 - mutual trust, consultation, and transparency;
 - assumption of accountability for sound financial management and performance;
 - effective, demand-led support for strengthening government management and coordination capacity and not undermining it.

Results Orientation

Processes involving:

- 1) Design of programs in support of the national development framework with clear and evaluable objectives that contribute to framework goals.
- 2) Monitoring and regular reporting and sharing of progress, with a focus on and accountability for results, including outcomes and goals, rather than only on inputs.
- 3) Creation and enabling of capacities to generate, monitor, and utilize results information to improve performance in achieving goals and accountability.

* Such a statement or strategy is a "product" of the described "processes" at a given point in time.

³⁸ Government at all levels, parliament, civil society, the private sector, and other domestic stakeholders.

Proposed Core Evaluation Questions.

The country case study will look at the four CDF principles individually and in tandem. The following questions are grouped by themes relevant to each principle. The first four sections below have two main objectives: (1) to elucidate the factors that have facilitated and those that have hindered implementation of CDF principles in Uganda; and (2) to identify the intermediate results of the implementation of CDF principles in terms of changes in behaviors and practices of key stakeholder groups. The fifth section includes questions designed to elucidate potential inter-relationships between the four CDF principles, as well as to marshal any evidence of higher-level impacts on resource mobilization and development outcomes and goals. Some of the following questions will be addressed to each key stakeholder group – government (central and line ministry as well as district levels), parliament, civil society, private sector, and donor representatives – in order to enable a comparative analysis of perspectives among the groups. Other questions are more pertinent to particular stakeholder groups. Some questions, but not all, may be converted into scaled-response questions for written questionnaires. Others will be posed in an interview setting. The suggestions of reference group participants will help to refine the questions before they are posed in questionnaires or interviews.

I. Long-term, Holistic Development Framework

What has been done to implement this principle and when, how, and why did it happen?

Long- and Medium-Term Strategy Frameworks

1. A document reflecting the application of CDF principles, the *Poverty Reduction Action Plan (PEAP)*, with both long-term (1997-2017) and medium-term dimensions, was first issued by the Government of Uganda in June 1997. This first issue of the *PEAP, Volume I*,³⁹ was followed by a long-term vision statement, *Vision 2025*, in March 1999, and by an update of Volume I in February 2001 (with a focus on 2001-2003). What circumstances – institutional, political, and economic, etc. – led Ugandan policymakers to initiate processes as early as 1995, which led to the first *PEAP*?
 - a) What were the main turning points?
 - b) What were the underlying causes?
2. A number of development goals are set out in the *PEAP* and *Vision 2025*.
 - a) How practical are these goals?
 - b) How well do they relate to globally articulated goals, such as the MDGs? Why/ why not?

The Roles of External Partners and Levels of Government

3. To what extent and how have external partners supported (or undermined) the formulation and implementation of the *PEAP* and *Vision 2025*?
4. How well do different governmental levels coordinate on implementation of the *PEAP* (e.g. central ministries, local bodies)?

What have been the intermediate results in terms of changes in behaviors and practices?

Linkages between Long- and Medium-Term Strategies and the Budget

5. To what extent are the frameworks of *Vision 2025* and the *PEAP* in turn linked to the Uganda Medium-Term Expenditure Framework (MTEF)? Why/ why not?

³⁹ Volume II of the PEAP, consisting of the Public Investment Plan, was first issued in August 1998. Volume III of the PEAP, *Building partnerships to implement the PEAP*, was issued in draft in February 2001.

Sustainability

6. A “long-term” time frame for a development framework implies a process capable of withstanding changes in political leadership and/or government. How sustainable in this regard are the processes that have produced the above-mentioned frameworks?

Balance

7. To what extent does the *PEAP* strike a balance between macroeconomic/financial stabilization and structural and institutional reforms?

Alignment of Development Assistance

8. How well have external assistance strategies, instruments, analytical support been aligned with:
 - a) the *PEAP*?
 - b) the MTEF?
 - c) *Vision 2025*?

II. Country OwnershipWhat has been done to implement this principle and when, how, and why did it happen?*Ownership of the PEAP*

1. An objective of society-wide consultations (e.g. Participatory Poverty Assessments) has been to anchor the priorities of the poor in the *PEAP* and build ownership.
 - a) How representative is ownership of the *PEAP* and *Vision 2025* among the various strata, regions, and constituency groups of Ugandan civil society and the private sector?
 - b) What factors facilitated the attainment of a national consensus on the *PEAP* and *Vision 2025*, particularly in light of Uganda’s experience under previous governments?
2. To what extent can ownership of the development agenda as outlined in the *PEAP* and the *Poverty Reduction Strategy Paper (PRSP)* be attributed to all branches of government – executive (central, sectoral, and local), legislative, and judiciary?
3. How significant was the role of Ugandan advisers and policymakers relative to the role of external technical assistance and advisors (e.g. in time and financial resources) in designing the *PEAP*, the *PRSP*, and *Vision 2025*?

External Partners and Ownership

4. To what degree have aid agencies helped foster country ownership (e.g. support for capacity building and participatory approaches)?

What have been the intermediate results in terms of changes in behaviors and practices?*Evolution of Country Stakeholder Involvement*

5. To what extent, if any, has the breadth of involvement of country stakeholders in strategy formulation and the budget process expanded over time?
 - a) What mechanisms have been employed and how sustainable are they?
6. In seeking understanding and endorsement of the *PEAP*, how have divergences of stakeholder views been bridged or resolved?

Role of External Partners

7. How has the behavior of external partners changed to accommodate country ownership (e.g. in the design and implementation of assistance strategies, in procedural flexibility)?
8. How is the role of aid conditionality viewed by country stakeholders – compatible with country ownership or in conflict?

III. Country-led Partnership

What has been done to implement this principle and when, how, and why did it happen? What have been the intermediate results in terms of changes in behaviors and practices?

Selectivity and Harmonization of Development Assistance

1. What efforts have been made to bring about greater *selectivity* in development assistance? What have been the obstacles?
 - a) What role have local donor representatives played?
 - b) What role has government played?
 - c) What actions can only be taken by donor headquarters?
 - d) What have been the results in terms of reduced duplication and increased selectivity along lines of comparative advantage?
2. What efforts have been made to bring about greater *harmonization* of donor procedures (e.g. reporting, procurement, financial management, evaluation, safeguards)? What have been the obstacles?
 - a) What role have local donor representatives played?
 - b) What role has government played?
 - c) What actions can only be taken by donor headquarters?
 - d) What have been the results in terms of reduced aid transaction costs? To what extent has this been reflected in the budget, in particular, in the Poverty Action Fund?

Government Leadership and Aid Coordination Mechanisms

3. Uganda is a highly aid dependent country. How has quality of partnership been influenced and affected by the extent of indebtedness and by aid dependency?
4. Uganda was the first country to reach the 'Completion Point' under the Enhanced Highly Indebted Poor Countries (HIPC) Initiative, making it eligible for the full debt relief possible under the initiative.
 - a) How has this affected the quality of partnership?
 - b) To what extent has this strengthened the donor community's confidence in the government's capacity to deliver on its priorities and objectives?
5. Volume III of the *PEAP*, "Building Partnerships to Implement the PEAP," sets out government's institutional structures for partnership. Some initiatives have included establishment of an Aid Liaison Department in the Ministry of Finance, Planning, and Economic Development and a Development Committee to screen and approve projects.
 - a) What are the strengths and weaknesses of these efforts?
 - b) How effective is the institutional capacity of the government to implement these structures?
 - c) What strategies are in place for strengthening capacity?
 - d) How might development partners provide better support for strengthening this capacity?
6. A number of multi-partner *sector groups* have been established.
 - a) What have been the intended purposes of these groups?
 - b) What results have been achieved?

- c) What obstacles have been encountered and how might they be resolved?
- 7. Uganda Consultative Group (CG) meetings have been held in Uganda for several years.
 - a) What has been the extent of involvement of various stakeholders in these meetings?
 - b) What are the views of civil society, local NGOs, and private sector organizations about these meetings and other aid coordination mechanisms (e.g. sector groups)?

Roles of External Partners

- 8. To what extent has development assistance strengthened or undermined Uganda's capacity and efforts to lead aid coordination?
 - a) What role have Project Implementation Units played in this regard?
 - b) What measures could result in more effective support for capacity building?
- 9. To what extent have partners recognized their responsibilities and accountabilities through such mechanisms as joint reviews of their respective performance?
- 10. How has intensified partnership affected consultations by major donors with other external partners?

IV. Results Orientation

What has been done to implement this principle and when, how, and why did it happen?

Country Capacity

- 1. What changes have occurred (and when and why) in Uganda's capacity to collect, analyze, and disseminate results-oriented performance information through monitoring and evaluation systems?

Level and Transparency of Information

- 2. To what extent is such information being accurately, transparently, and publicly disseminated?
 - a) To what extent does it include information on actual execution of the Public Investment Plan?
 - b) To what extent does it include information on outputs or outcomes (e.g. service quality) and development results (e.g. MDGs)?
- 3. How are disincentives to a results orientation being addressed (e.g. performance assessed and rewarded based on outputs and outcomes rather than spending)?
- 4. Is a focus on results seen as excessive? If so, how so, and what solutions are possible?

Role of External Partners

- 5. To what extent and how effectively have external partners assisted in evaluation capacity development (statistical capacity, research, knowledge management)?
- 6. To what extent is information on planned and actual disbursements from external partners readily available to the country?

What have been the intermediate results in terms of changes in behaviors and practices?

- 7. To what extent is results information being used for lesson learning and accountability; what are the constraints?
- 8. To what extent and how effectively is results information fed-back into decisionmaking, including resource allocation; what are the constraints?

9. To what extent have non-government domestic stakeholders (civil society, private sector, etc.) benefited from evaluation capacity development and other aspects of increased results orientation?

V. Implementation Relationships among CDF Principles and Higher Level Impacts

1. To what extent has implementation of a CDF principle reinforced or adversely affected implementation of other principles? For example:
 - a) To what extent have implementation of long-term vision and ownership reinforced each other?
 - b) Has concern with good relations in support of ownership come at the expense of partnership or results orientation on the part of external partners?
2. To what extent has substantial progress in implementing one principle been a prerequisite to being able to implement another –e.g. building country ownership before a results orientation can take hold?
3. To what extent is CDF implementation viewed by some stakeholders, e.g. civil society or the private sector, as imposed by donors?
4. To what extent does deadline pressure entailed in the PRSP, HIPC, PRSC, and PRGF (IMF-funded Poverty Reduction and Growth Facility) processes impede implementation of CDF principles?
5. What roles have such factors as the resource envelope, external shocks, violent conflict, and political instability played in implementation of the CDF principles?

What discernible evidence is there of higher-level impact of implementation of one or a combination of CDF principles on resource mobilization and development outcomes and goals?

6. To what extent have bottlenecks in the economy been eliminated because of implementing a long-term, holistic strategy and/or other CDF principles?
7. To what extent has policy design been influenced by participatory processes?
 - a) Are there policies set out in the PEAP and PRSP that otherwise would not have been included had there been no participation?
 - b) Have there been any unintended impacts on policies because of participation?
8. What discernible impact in other respects has there been on development policy because of implementation of one or a combination of CDF principles?
9.on resource mobilization?
10.on institutional capacity (arrangements, performance incentives, financial management, information systems, accountability mechanisms)?
11. To what extent has the portfolio in the Public Investment Plan shifted toward poverty reduction because of implementation of one or a combination of the CDF principles?
12. What has been the impact of expanded participatory processes undertaken as part of the *Vision 2025* and the *PEAP* initiatives on Ugandan women – particularly women in rural areas who account for a significant share of the agricultural labor force and of the population in poverty?
13. What plausible evidence is there that implementation of CDF principles, individually or in tandem, has led to progress in achieving MDGs or similar high-level development goals?

Annex C. Methodology for the CDF Evaluation Uganda Case Study

A Mixed Methodology Approach

1. The Comprehensive Development Framework (CDF) evaluation is a multi-stakeholder evaluation, which requires understanding of the perceptions of representatives of main stakeholder groups involved in or impacted by development processes. Any methodological choice depends on the purpose of the inquiry. The purpose of the Uganda case study for the CDF evaluation is to get perceptions of different stakeholder groups on progress made in implementation of the four CDF principles in Uganda. The case study employed several methods to generate information and insights from different stakeholder groups.
2. The methodology employed ‘triangulation,’ or the determination of findings by comparing information from multiple sources. The case study team identified and documented progress on implementation of each CDF principle through (1) a review of documents; (2) administering a questionnaire survey to a “group meeting” consisting of stakeholders representing government, civil society, and the private sector; and (3) analysis of perceptions through interviews with key informants among government ministries, parliamentarians, donors, international NGOs and representatives of private sector and civil society organizations.
3. The methods described above were also employed to conduct in-depth reviews of the experience of four sectors and during field visits to three districts (and two sub-counties in one district). Three sectors were selected (education, health, water and sanitation) because of apparent progress they have made in applying CDF-like principles. Selection of the agricultural/rural sector, was based on the fact that agriculture is the mainstay of the Ugandan economy and 80% of the population live in rural areas. Selection of districts visited was based on diversity of socioeconomic status of the districts and relative proximity to Kampala. This led to a choice of three districts: one relatively poor (Pallisa), one relatively rich (Jinja) and one in-between (Kamuli).
4. A methodological limitation results from the sampling approach used for selecting representatives of the main stakeholder groups. In the selection of respondents to the questionnaire survey, representatives based mainly in Kampala were contacted and thus the selection has an urban bias. However, some of the civil society organizations such as the Uganda NGO Forum and the DENIVA are umbrella organizations representing their respective grassroots NGOs. To overcome the urban bias, visits were made to three districts, which included a focus group meeting with a local umbrella NGO, KANENGO, in Kamuli District, to discuss their knowledge and application of the CDF principles. Highlights of a group meeting with a local NGO involved in district planning is presented in Box 3.9 in the “Results Orientation” portion of Section 3 of the main text.
5. The selection of districts had an obvious regional bias since all three districts are located in the Eastern region of Uganda. As such, the case study findings at the district level cannot be generalized to other regions but they helped to illuminate progress on policies and programs implemented in all districts.
6. Despite these limitations, there is reason to believe that case study findings yield a valid picture of CDF implementation experience in Uganda. These representatives of civil society, government, donors, parliamentarians and the private sector who were consulted are among those most knowledgeable about development issues in Uganda. Their participation in the case study

provided an informed picture of progress in implementing the four CDF principles. Their voices were complemented and corroborated by document reviews.

7. Figure 1 below illustrates the case study use of triangulation, and Figure 2 illustrates the methodological tools used to address specific issues and target audiences.

Figure 1: Triangulation of Methods:

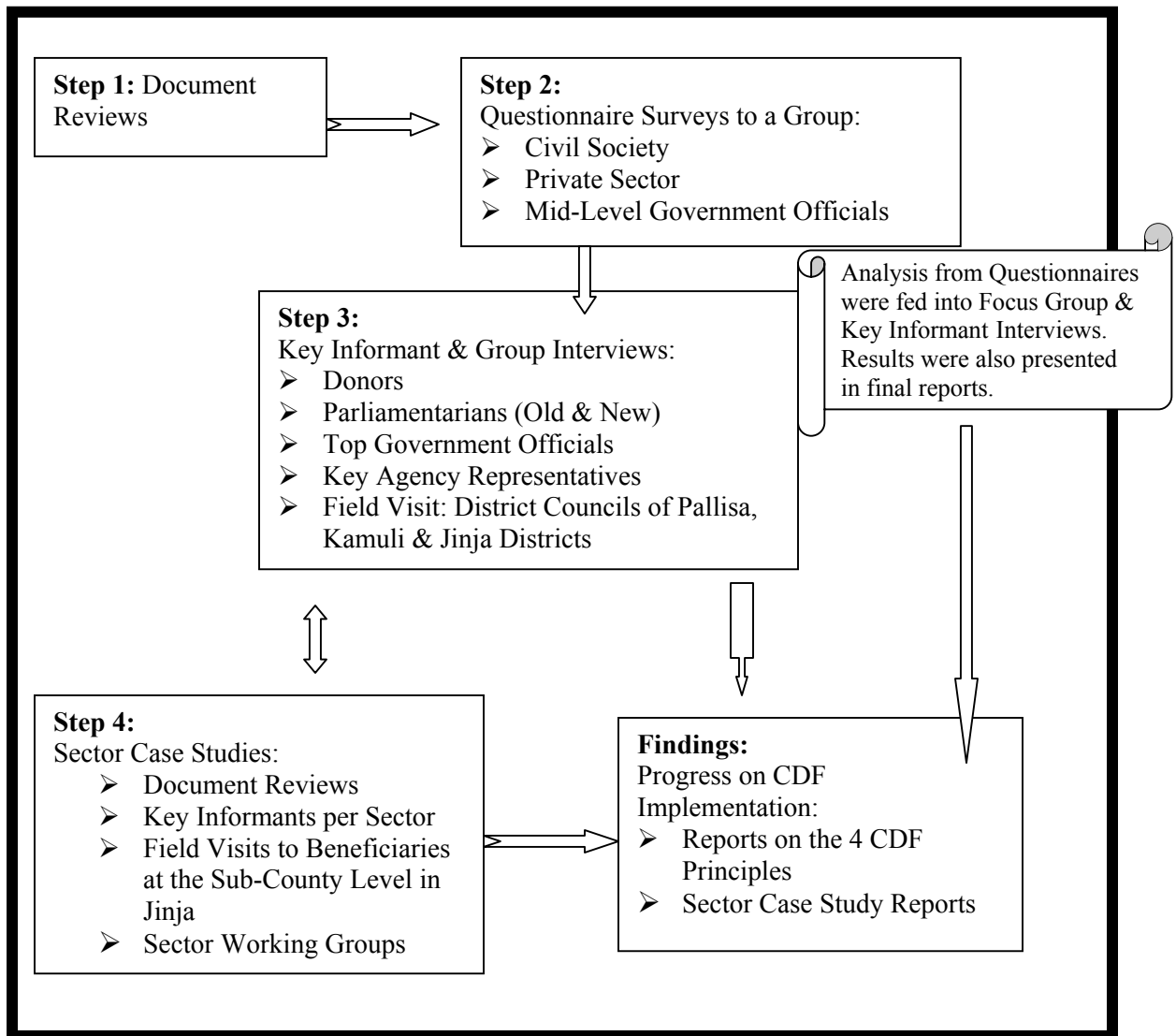


Figure 2: The Methodological Approach

Issue	Data Source	Methodology
Country Context Analysis: ➤ Economic ➤ Political ➤ Social	Studies over the Years	Desk Review of Documents
Factors Facilitating/Hindering Implementation: ➤ Policy Environment ➤ Institutional Capacity ➤ Evaluation Capacity	Stakeholder Groups: ➤ Civil Society ➤ Private Sector ➤ Government ➤ Parliamentarians ➤ Donors	Key Informant and Group Interviews
Progress on Implementation of Each CDF Principle: ➤ Holistic Development ➤ Country Ownership ➤ Partnerships ➤ Results Orientation	➤ Donors ➤ Government ➤ Civil Society ➤ District Councils ➤ Researchers ➤ Parliamentarians	Key Informant Interviews Group Interviews Survey Questionnaire Field Visits
Sector Case Studies: ➤ Education ➤ Health ➤ Water & Sanitation ➤ PMA	Line Ministries Civil Society Sector Working Groups	Documents Key Informant Interviews Group Interviews Field Visits

Stakeholder categories:

8. The following is a summary of the organizations represented by the stakeholders with whom the team interacted. A detailed list of people met is in Annex H.
- a. *Government Ministries:* (1) Finance, Planning and Economic Development, (2) Education and Sports, (3) Health, (4) Water, Lands and Environment, (5) Agriculture, Animal Industry, Husbandry and Fisheries, (6) Local Government, (7) Public Service and (8) Gender, Labor and Social Development.
 - b. *Parliamentary Committees:* (1) Budget; (2) Social Services which covers Education and Sports, Health, and Labor and Social Services, (3) Public Service and Local Government; (4) Finance and Economic Planning; (5) Gender and Community Development; and (6) Agriculture, Animal Industry and Fisheries.
 - c. *Civil Society Groups:* (1) The Uganda NGO Forum, which also assisted the case study team in the design and facilitation of the study; (2) Development Network of Indigenous Voluntary Associations (DENIVA); (3) The Uganda Debt Network (UDN); (4) Women's Groups and/or Community Based Organizations (CBOs) at central, district and local levels.
 - d. *Private Sector Representatives:* (1) The Uganda Manufacturers Association, (2) The Uganda National Chamber of Commerce and Industry, (3) Small Business Enterprises Association.

- e. *District Councils and District Government Officials* in Jinja, Kamuli, and Pallisa Districts, and a *local umbrella NGO* (KANENGO) in Kamuli.
- f. *Development agencies*: (1) bilateral: Austria, Denmark (Danida), Germany (KfW/GTZ), Ireland (Irish Aid), Japan (JICA/JBIC); Netherlands, Norway (NORAD), United Kingdom (DFID), and USA. (USAID); (2) multilateral: AfDB, IMF, UNDP, World Bank.
- g. *International NGOs*: Action Aid, CARE, and Oxfam.
- h. *Research institutions*: Economic Policy Research Center (EPRC) and Makerere Institute of Social Research (MISR).

Methods for Each Step (Figure 1):

Step 1: Document Review

9. Desk review of economic, social and political trends such as: development indicators in education, population, health (fertility & mortality), change in the poverty profile, the rural-urban divide, macroeconomic indicators as well as Millennium Development Goals (MDGs). Studies conducted by the Bank, the government and others were reviewed (See list of Documents reviewed in Annex H).

Step 2: The Questionnaire Surveys

10. The questionnaire survey took the form of administering a questionnaire to all stakeholder groups in a group meeting setting. Stakeholders were first briefed on the CDF process and principles, after which they were requested to complete a questionnaire. Thirty-three respondents completed the questionnaire. Results were analyzed and presented by stakeholder category in order to compare positions of various stakeholders by issue. The results were later shared with a group of parliamentarians and all other stakeholder groups that had completed the questionnaire. A summary of the questionnaire survey results is attached as Annex F.

Step 3: Interviews

11. *Key informant interviews*. An interview guide was used to conduct meetings with key informants. The selection of key informants was based on referrals, knowledge of subject and level of seniority with key agencies or sectors. Based on these in-depth interviews, information collected was also used to probe issues with other informants or in group interviews.

12. *Group interviews*. Interview guides were also used and tailor made to different stakeholder groups. A group meeting discussion between selected Members of Parliament and government officials sharpened several issues that had emerged from the survey results and from key informant interviews.

13. Other informative group meetings were held with District Councils and local civil society representatives. At the District and sub-county levels, which are part of local government, the meetings were able to uncover issues on service delivery and the relationship between central government and local governments.

Step 4: Sector Studies

14. For each sector, key informant interviews and document reviews were also used to assess progress on the CDF principles, to search for evidence of results and the lessons learned. Some

sectors such as health and education were already being implemented with CDF-like principles but the sector analysis was useful in uncovering the processes that led to institutionalization of those principles. For the education, health, and water and sanitation sectors, and the Plan for Modernization of Agriculture, interviews with key informants from line ministries, civil society, and donor representatives were instrumental in uncovering where each sector was in adopting CDF-like principles.

Presentation of Findings

15. For each CDF principle, the case study report addresses the progress made and the constraints or barriers encountered in implementing that principle. Both strategic and operational issues are also addressed, plus good practices, some of which are featured in boxes. Presentation of findings also entails highlighting lessons learned and the challenges ahead.

Annex D-1. Education Sector

Background

1. It is commonly held that Uganda's education system in the 1960s was among the best in the region. The civil strife that engulfed the country during the 1970s and 1980s, however, destroyed much of the country's social service delivery systems, ravaging the physical and human capital that sustained the social sectors. Government during these chaotic years all but abandoned its responsibilities toward the education sector, de facto shifting funding responsibility to parents, who filled the vacuum mainly in primary education.

2. The National Resistance Movement Government (NRM) that came to power in 1986 placed education among its highest priorities and commissioned a comprehensive review of the sector. An Education Policy and Review Commission (EPRC) was set up in 1987, out of which evolved a 1992 Government White Paper on Education that identified education development priorities and strongly advocated universal primary education.

3. The education sector began a gradual recovery in the early 1990s. During 1991-1995, the government's budget for recurrent expenditure almost tripled in real terms from Ush 19m to 52m. Funding of primary schools almost quadrupled, albeit from a negligible base, and primary enrollments increased by 60%. However, despite higher public spending, the mainstay of government-aided primary schools continued to be parents, whose contributions on average financed 60% of total school spending. The delivery of quality service was severely constrained by lack of resources, exacerbated by recruitment problems and absenteeism of teachers. Lack of financial accountability was a serious problem, with only 20% of public non-wage education spending and 2% of capitation grants reaching schools in 1995.

4. Against this background, Universal Primary Education (UPE) was pledged in a 1996 election campaign by the top political leadership, promising tuition-free state primary education for all school-age children up to four per family, two of whom should be girls, plus all orphans. PTA fees were abolished, with exception made for urban schools. The response to the UPE initiative was a massive increase in enrollment at the beginning of the school term in February 1997, with attendance jumping from 2.9 million to 5.7 million. UPE catapulted education to the top of the development agenda, but the education sector was immediately faced with a crisis. The capacity of the primary education system – school facilities, teachers, institution materials, curricula, etc. – was severely limited to absorb the influx of students.

Achievements

Long-term Holistic Development Framework

5. The UPE initiative was launched at the same time government was preparing the Poverty Eradication Action Plan (PEAP) that identified improved primary and secondary education as priorities under its fourth pillar, *increased quality of life of the poor*. The extensive consultations that led to the formulation of the PEAP, including a Participatory Poverty Assessment Project, had significant impacts on the education sector. While affirming the benefits of the UPE initiative, particularly in increasing enrollment of disadvantaged groups, they highlighted a growing disillusionment among the poor with the quality and relevance of education services being provided.

6. It was evident to the Ministry of Education and Sports (MoES) that a strategic sector plan was urgently needed that systematically addressed the challenges raised by the initiative and the state of education at all levels. Up until the introduction of the UPE, MoES was addressing service delivery challenges through the National Primary Education Reform Program that comprised a series of donor-funded projects. The program was beset with difficulties, including weak capacities for policy development (reflected in poor curricula development) and lack of donor coordination.

7. MoES, seizing the opportunity in this challenge, launched extensive consultations with various stakeholders to formulate a sector wide plan. In 1998, it introduced the Education Strategic Investment Plan (ESIP), covering a six-year period from 1998 to 2003. ESIP is the core of a Sector Wide Approach (SWAP) for the education sector that identifies broad priority objectives and investment programs with indicative costs and targets.

Box D-1.1 The Education Strategic Investment Plan (ESIP)

Broad Policy Priorities

Expanding Access

- Achieving universal enrollment of primary school-age children by the year 2003.
- Ensuring that post-primary vocational opportunities are in place for primary school leavers.
- Achieving and maintaining higher transition rates from primary to secondary schools.

Quality Enhancement

- Enhancing the quality and relevance of instruction through procurement of relevant instructional materials and training of teachers.

Increasing Equity

- Continuing the shift in public expenditure allocation in favor of broader access to basic educational opportunities.
- Directing special incentives to the disadvantaged groups to attract them to school.

Public Sector – Private Sector Partnership

- Creating a financial framework for sustained and equitable educational provision with appropriate levels of contribution from public sector – private sector and household community partnerships especially at post-primary level.

The Role of Central Government

- Strengthening the capacity of central government to formulate sectoral policy and broadly direct financial resources in response to evolving priorities and needs.

Enhancing the Capacity of the Districts and Local Government

- Promotion of greater participation of and responsibility by local authorities and communities in the development of education at all levels.

Country Ownership

8. ESIP was prepared by the technical staff of MoES' Education Planning Department, supported by domestic and expatriate technical advisers. The formulation process involved close consultations with Ministry of Finance, Planning and Economic Development (MFPED), Ministry of Local Government (MoLG), the Decentralization Secretariat, external partners and other stakeholders.

9. The launch of ESIP was followed by a change in the top leadership and senior management of MoES, which has had significant impact on the implementation and further

development of ESIP's goals. The first act of the new leadership involved instruction to all staff to read and internalize ESIP, reinforcing the ownership of the plan by staff. The new leadership, unlike the predecessor, was a strong advocate of sector wide approaches and keen on donor coordination.

10. Ownership has been reinforced in the education sector through a transparent and consultative, output oriented budget process guided by a sector working group. The Education Planning Department and the Accounts unit within MoES are responsible for budget preparation, while a sector working group, Financial Management and Planning, chaired by the Ministry of Education and involving all key stakeholders, including donors, central and local governments, representatives of civil society and the private sector sets performance targets, advises on budget figures and resource allocations, and reviews the inputs and outputs of the delivery mechanism.

11. Owing to decentralization, effective implementation of ESIP has been dependent on the capacities of local governments to implement educational policies and resources. An essential tenet of Uganda's decentralization process is ownership of planning, beginning at the village level and moving up to parishes, counties, and districts. A number of functions including primary school construction and the recruitment, deployment, and salary payments of primary school teachers have been decentralized. Notwithstanding this, decisions over resource allocations have not fully been decentralized; the major resource transfers from the center to the districts are in the form of conditional grants. This has limited districts from reallocating resources according to locally identified needs that, in some districts, are not the same as the priorities identified from the center (*see Challenges section*). While there is strong national ownership of education policy objectives, the center maintains stronger policy and financial ownership relative to the districts.

Country-led partnership

13. The response to the UPE initiative constituted a watershed in the relationship between government and donors. ESIP was a creative solution to the challenges brought by an initiative that marginalized most donor funded stand-alone projects. ESIP set the stage for government to take the lead, not only in defining policy priorities, objectives and performance indicators, but also in coordinating and setting joint agreements with funding agencies on management, reporting and accounting procedures.

14. The response by donors to ESIP has been increased alignment of assistance strategies with the sector strategy and budget, with several donors - DFID, World Bank, Netherlands, EU, Ireland Aid, USAID, and CIDA - providing general and/or earmarked budget support.

15. Government and donors have set up working groups and committees to regularly engage each other on strategic and operational issues. There are three cross-cutting working groups in the areas of Sector Policy and Management, Monitoring and Evaluation, and Financial Planning and Management, as well as a number of sub-sectoral working groups dealing with issues such as curriculum and instruction materials, classroom construction, teacher education, and access for disadvantaged children. There are two standing committees that oversee Audits and Staff Development. All groups include ministry officials, donor representatives, and members of civil society. Working groups meet on a monthly basis to review progress, performance, and outputs in the sector, and to make recommendations to the Education Sector Coordinating Committee (ESCC). The ESCC is a consultative forum chaired by the Permanent Secretary for Education and comprises senior technical and operational personnel from the ministry, as well as representatives of line ministries such as MFPED, MPS, MLG, donors, civil society, and the private sector.

Also, a donor sub-group meets periodically to discuss issues and streamline donor strategy with the ESIP.

16. In order to streamline the monitoring, review, and reporting processes of donors, government initiated Joint Education Sector Reviews (ESR) that are held twice each year, in April and October. Representatives of civil society and the private sector are also included in the reviews. An Education Sector Six-Monthly Report (ESSMR), prepared by MoES, is distributed to the ESR participants two weeks prior to the commencement of the ESR and provides the basis for the discussions. The April ESR reviews sector and program performance and assesses progress against jointly agreed indicators. The October ESR reviews budget performance and jointly agreed undertakings. At the end of each ESR, government and donors jointly prepare an Aid Memoire that includes agreed on undertakings to be reviewed at the next ESR.

Box D-1.2 Partnership and Undertakings in the Education Sector

The experience of the Uganda semi-annual Joint Education Sector Reviews (ESRs) provides a dramatic example of the potential that SWAps hold for procedural harmonization among donors and the consequent reduction in aid delivery transaction costs.

- At the first ESR in April 1999, donors insisted on 59 separate undertakings. As one participant put it, “donors refused to let go of their conditionalities.”
- At the second ESR in October 1999, only a few (8 or 9) undertakings had been met. This review agreed on a reduction in the number of undertakings to 25.
- The April 2000 ESR reported that 12 of the 25 undertakings had been met and agreed on a smaller set of output-oriented targets comprising 15 undertakings.
- The October 2001 ESR pared the list further to 7 undertakings, including:
 - 4 “critical undertakings” regarding financial commitment, fiduciary assurance indicators, and quality indicators (pupil-to-teacher, -classroom, and -textbook ratios), outcome indicators, and
 - Three “process undertakings” regarding recruitment of primary teachers, addressing needs of out-of-school children, and maintaining education information standards.

17. Government, donor, and civil society representatives interviewed report that the commitment, level of participation, and quality of dialogue among stakeholders have considerably evolved since the first ESR held in 1999. An increased confidence in the ESRs and government’s capacity to deliver on agreed actions is manifested by the rationalization of donor reporting requirements. Donors active in the education sector now use ESR reports for their own reporting needs.

Results Orientation

18. Results orientation in the education sector has primarily focused on monitoring of sector level indicators and undertakings agreed between government and donors. Semi-annual Education Sector Reviews jointly held between government, donors and civil society are the main forum for monitoring progress in the sector.

19. There are fifteen sector-level indicators linked to ESIP priorities: access, quality and efficiency. A smaller number of quality indicators, pupil-to-teacher, -classroom, and -textbook ratios, are monitored closely. Undertakings measure progress against key objectives and are tied to budget release by donors providing budget support. Government is required to satisfactorily meet a set of ‘critical’ and ‘process’ undertakings that are a combination of qualitative and quantifiable, time-bound targets. The most recent joint sector review held in October 2001 confirmed satisfactory implementation of undertakings agreed at the preceding sector review, and

agreed on new undertakings including financial commitment, public expenditure management, quality enhancement, outcome indicator, equitable access, teacher recruitment, and monitoring and evaluation.

20. An Education Management Information System (EMIS) has recently been put into operation at MoES headquarters and 46 districts. This is expected to further enhance the sector's ability to monitor and evaluate progress in meeting benchmarks and to translate data and information into efficient resource allocation. The Statistical Abstract and Annual School Census data for 2001 were prepared for the first time using EMIS.

Box D-1.3 Some ESIP Indicators 2001, using EMIS

- Pupil Teacher Ratio (PTR) 58:1
- Pupil Classroom Ratio (PCR) 98:1
- Pupil Textbook Ratio (PBR) 4:1
- Net primary enrollment ratio: 117.5%
 - Boys: 120%
 - Girls: 115.86%
- Public current expenditure on primary education: Ush 263.1bn
 - As a % of GDP: 2.7
- Total UPE enrollments: 6.5 million
 - Male: 3.3 million
 - Female: 3.2 million

Issues

21. **Weak capacities at district levels:** Most education services, including teacher recruitment and salary payments and construction and maintenance of classrooms are managed by districts, although they mostly remain centrally financed. The intended benefits of decentralized service delivery - allocative and productive efficiency - have been mixed across districts. In some districts, weak financial management and poor accounting systems have led to misappropriations and/or untimely release of funds, while in a few others, inability to absorb allocated funds has resulted in money being sent back to the center. The inability of some districts to provide quarterly work plans and performance reports has also led to withholding of funds by the center.

22. **Mismatch between locally identified demands and centrally determined plans:** While most education services have been decentralized, the bulk of financial resource comes from the center in the form of conditional grants, which limits the discretion of local governments in making allocative adjustments. Local demands and priorities identified in district plans do not always match those identified by the center, and in some cases, the limitation in making allocative adjustments have prevented local needs from being addressed. Nevertheless, there is justification in the government's argument that decentralization is an ongoing process, and devolution of further financial authority to districts needs to be preceded by increased accountability.

23. **Insufficient resources to meet ESIP output targets:** Despite the fact that the shares of government expenditure and donor contributions, particularly for primary education, have risen over the years, the present resource allocations are insufficient to meet ESIP targets by the intended year of 2003/2004. According to the October 2001 ESR estimates, current resources will achieve a Pupil Teacher Ratio (PTR) of 44:1, a Pupil Classroom Ratio (PCR) of 84:1, and a Pupil Book Ratio of 3:1 against ESIP targets of 40:1, 40:1, and 1:1, respectively.

24. Some stakeholders, including the Forum for Education NGOs in Uganda (FENU), find the ESR projections as too optimistic and understating the current states of over-crowdedness, lack of proper school facilities, particularly for girls and disabled children, lack of instruction materials, and poor quality of instruction, including authoritarian approaches to enforce discipline and/or motivation. Uganda's rapid population growth is also expected to exacerbate the situation. Initial population projections of primary school-age children are now acknowledged by government as having overestimated under-five mortality rates and HIV/AIDS prevalence.

25. **Recruitment and deployment of teachers:** Limited availability of trained teachers, high attrition rates, and lack of sufficient financial and material incentives have made it difficult for government to recruit and deploy teachers in many districts, particularly in remote and insecure areas. The supply side problems have also been exacerbated in some districts by drawbacks on the management side, particularly by corruption and ineffectiveness of Chief Administrative Officers and District Education Officers.

Challenges

26. Significant progress has been made in the education sector over the last five years, particularly in primary education. Furthermore, regular stakeholder interactions in working groups have resulted in increased recognition of the constraints facing the sector and in concerted efforts to address them. As the sector prepares to move beyond the current ESIP target year of 2003, a number of challenges face the sector:

27. **Increasing financial resources for the education sector:** it is unlikely that government revenue collection in the near future will match needed expenditures. Inevitably, government will have to continue relying on alternative sources to meet its budgetary needs. Some stakeholders, including Parliament and donors, are concerned that the country has become over dependent on outside money to the point of compromising its sovereignty, while others argue that the current high share of government expenditure on education is crowding out resources for other social sectors.

28. **Increasing the completion and transition rates of primary school students:** the significant increases in enrollment rates have not been adequately matched by completion and transition rates. Dropout rates, particularly among girls, remain high.

29. **Formulating a comprehensive post-primary education strategy:** closely tied to the aforementioned challenge is the ability of the post-primary education sectors to absorb the increase in completion rates and demands for further education.

Education SWAP: Lessons Learned

30. The education sector in Uganda has taken the lead in the transition toward a full sector wide approach and has attained considerable successes since the formulation of ESIP. Some of the major achievements/lessons that have emerged include:

- Alignment of stakeholder strategies, in particular donor strategies, with government's strategy
- Clear definition of stakeholders' role in the provision of education services

- Effective coordination among stakeholders, particularly between government and donors, evident in six successful joint annual reviews
- Enhanced harmonization of reporting rules and procedures, evident in the use of sector review reports by donors and other stakeholders for individual institutional purposes
- Joint agreements on accountability requirements, evident in the use of government audit and tracking reports
- Provision of increased levels of flexible and earmarked budget support

Annex D-2. Health Sector

History of the Health Sector in Uganda

1. The history of the health service in Uganda mirrors that of the country as a whole. In the sixties, Uganda's health sector was regarded as amongst the best in Africa. However, during the 1970s and early 1980s access to health services was severely limited owing to internal insecurity, war, and political and economic turmoil. Health indicators declined significantly.

2. During the period 1987-93, there was some progress made in reestablishing the health care system. A Health Policy Review Commission was established in 1987 and its recommendations led to a reorientation of health care policy toward preventive health care. A 1993 White Paper and the 1993/94-95/96 Three Year Rolling Plan (rolled over to 1996/97) evolved out of the Review Commission Report. Projects were implemented through agreements with Development Partners. However, donor coordination was weak. While some worked through the Development Committee of the Ministry of Finance and Planning, others went straight to selected districts. This led to an uneven provision of health care infrastructure in the country.

3. From 1993 there was gradual fiscal decentralization. Non-wage recurrent expenditure on primary health care became part of the block grant, but drugs and other supplies funded largely by donors continued to be delivered from the center. The central government's main responsibilities were the salaries of health workers. Most primary health workers were central government staff seconded to local authorities. There was only limited direct hiring of health workers by districts, paid out of their own resources (Reinnika 2001).

In 1995, a burden of disease study found that the leading cause of morbidity and mortality were attributed to preventable, largely communicable diseases. Over 75% of the life years lost due to premature death were attributable to ten diseases, including perinatal and maternal related conditions (20.4%), malaria (15.4%), Acute Lower Respiratory Tract Infections (10.5%), HIV/AIDS (9.1%) and diarrheal diseases (8.4%). These diseases accounted for more than 60% of the total burden of disease.

4. The 1997 Local Governments Act led to the further decentralization of service delivery to districts. Districts started preparing their own annual health plans with support from the center. This was also the year that the Poverty Eradication Action Plan (PEAP) was published. Under the PEAP, the government strategy in the health sector is to shift health care resources in favor of rural areas where the majority of the poor live, to emphasize primary health care and bring services closer to the people.

5. The period from 1995 onwards was significant for a change in the approach to coordination. Prior to this, key informants report that coordination meetings in the health sector were little more than information sharing. The health sector plan was unfocused. From 1995 onwards, however, coordination started to mean working together within a common framework. The Ministry of Health (MoH) realized that a more strategic plan was needed and initiated a process to produce one in 1996, inviting Development Partners (DP) to join the process. The result was an intensive process of consultation and negotiation lasting three years to produce the National Health Policy (NHP). Key informants have identified several key events. The first was the holding of a consultative meeting in April 1997 to discuss the concept of a Sector Wide Approach (SWAp). A further consultative meeting followed this in May 1999, during which the NHP was finalized, and a draft Health Sector Strategic Plan (HSSP), which would be the vehicle for implementing the NHP, was approved. In October/November 1999 a third consultative

meeting was held to discuss the HSSP. Also, a Statement of Intent to support SWAps was signed and the first joint mission between GoU, DPs, and other stakeholders took place.

6. The NHP, published in September 1999, provides a ten-year framework for health services. It is to be implemented through a five year Health Sector Strategic Plan (HSSP), published in 2000, and its overarching objective is to reduce morbidity, mortality, and fertility. The main strategy to achieve these goals is the provision of the Uganda National Minimum Health Care Package (UNMHCP) to all the population. The UNMHCP is based on the burden of disease data gathered in 1995.

7. GoU/MoH structures are used to implement the HSSP. The Health Policy Advisory Committee (HPAC) supports the MoH. This is chaired by the Director General, Health Services, MOH and includes key government officials, DP representatives, and representatives of private-not-for-profit faith-based NGOs (namely, the medical bureaus for the Catholic, Protestant and Muslims). It serves as a forum where GoU and DPs review and advise on policy issues related to HSSP implementation. The work of the HPAC is informed by nine technical working groups: Procurement, Finance, Human Resources, Basic Package, Health Infrastructure, Monitoring and Supervision, Public-Private Partnership, Research and Development, and Decentralization. The Budget Sector Working Group has been incorporated into the finance-working group to reduce duplication and to ensure that the discussions are not just confined to the formal budget formulation period (October-February).

To support implementation of the HSSP, a SWAp was developed jointly by the GoU and DPs. Most DPs have endorsed the SWAp through the signing of a Memorandum of Understanding (MoU), which sets out the obligations of the government and the DPs.

Achievements

8. This section looks at the achievements in health sector processes since 1995 and the extent to which they reflect the pursuit of principles later embodied in the CDF. Cross-references between the principles are also indicated.

Long-term holistic Development Framework

9. The period 1995-97 was a significant one not just for the health sector, but also for the formulation of policies in general in Uganda. It was during this period that the PEAP was being written. To this more general rethinking of policies and strategies can be added specific health sector inputs, such as the burden of disease survey, which served as an input into reconsiderations of health policy. The result was a much more strategic approach to health sector policy and strategy.

10. The PEAP had an important impact on the health sector. It provided the sector with targets and focused the provision of health services on the poor. The first PEAP also included a costed strategy for the sector, something that was not true of most other sectors. Thus out of the process of producing the long-term holistic Development Framework for the country as a whole, the PEAP, were sown the seeds of a process leading to a **long-term holistic Development Framework** for the health sector.

11. In the health sector the process of linking implementation of health plans to resource availability is well embedded. The reinforcement of a hard budget constraint by the MFPED means that the Ministry of Health aims to produce its budget within its ceiling. However, the late arrival of funds in the districts is a source of complaint (see below).

Country Ownership

12. The operationalization of a long-term holistic framework in the health sector was strengthened by the history of **country ownership** of the process by which it was arrived at. Implementation of the Uganda Minimum Health Care Package will reach the Ugandan population through improving access by building new facilities in deserving areas and strengthening delivery and referral systems at appropriate levels. In general, in counties (LC4) there will be small operating theatres, with a doctor present, and in the parishes (LC2) clinics. Donors were, in principle, agreed on the need for expansion. Their concerns were that the expansion of infrastructure was properly coordinated and harmonized with due regard to deserving/marginal areas, available and projected resources (particularly human resources) and recurrent costs implications. Over a period of three years, the ministry, and the then-minister, worked with donors to meet these concerns.

13. The MoH coordinates the HSSP and has been restructured to reflect its more strategic role now that much of the delivery of health services has become the responsibility of districts. As highlighted above, The MoH and MFPED have been building up their relationship during the past two or three years. Other ministries, such as education and local government, are involved in technical sector groups that are relevant to them.

14. However, the CDF ownership principle stresses that participation by domestic stakeholders should extend beyond government ministries to include, for example, parliament, civil society, and the private sector. Civil society participation in the technical sector groups varies. The faith-based NGOs are fully involved in the HSSP/SWAp process through their head offices in Kampala. Others are only occasionally involved, and more the INGOs than local NGOs, who are more likely to interact with government at district level. The same is true of private sector health organizations, both private-for-profit and private-not-for-profit.

Country-led Partnership

15. The health sector in Uganda benefits from a strong **country-led partnership** between government and donors. This is partly the result of the three-year government-led process by which agreement on the NHP and HSSP was arrived at. The partnership has been strengthened through working together in the HPAC. From what were initially weekly meetings, now monthly, a consensus on the plan and strategy for the sector has emerged. **Several key informants saw the building of trust as the main benefit of this process.** Key informants report that the health sector is now characterized by broad consultation and openness.

16. An example of the links **between country-ownership and country-led partnership** is the development of the SWAp in health. Health sector policies used to be very donor-led, but the MoH has promoted the concept of a SWAp. Now all partners look at the sector holistically and, to quote one key informant, “we have a much better idea of what is going on and why things don’t work.” DPs used to be very focused on the areas they were working in and would not consider links to other areas. Now several provide sector budget support to help finance the HSSP. (About 50% of DP funding in the sector is through budget support – Health Sector Joint Review Aide Memoire, October 2001, p. 17). This has led to a reduction in the number of projects, which has made it easier for the MOH to track those that remain.

17. Budget support has also led to a better balance between capital and operating costs. Where donors set up projects, they tend to regard responsibility for operating and maintenance

costs as the responsibility of the government. Governments, however, generally do not have the resources to operate and maintain the entire infrastructure that donors construct. When donors provide budget support their money can now be used for operations and maintenance, since they are now just part of the health sector finances. In addition, a Partnership Fund has been established to finance management of the SWAp process and short-term technical assistance. Decisions regarding the use of the fund are made by the HPAC.

18. Donors have strengthened the partnership by formalizing their arrangements for meeting together as a group. In December 2000, the donors agreed to set up a health sector Development Partners Forum. This meets monthly with the Chair rotating every six months. It has provided two principal benefits for the MoH. Firstly, donors speak with one voice, which reduces the time the ministry spends consulting them. Secondly, the donors have been able to assist the ministry in its discussions with other ministries, for example, in making the case to the MFPED for an increase in funding following the abolition of user charges in March 2001.

19. The development of a SWAp has led to some reduction in duplication of functions. There are fewer project implementation units. The job that these units did has been transferred to the ministry, so improving coherence of ministry work, although much of the work has been contracted out, with the ministry just providing oversight. There is a much greater complementarity of studies and greater conformity of Terms of Reference (TORS) for studies. These are discussed widely resulting in greater clarity and broad ownership. Draft reports are also discussed widely. A code of conduct for the contracting of consultants has been agreed as part of the MoU for the health sector SWAP. Finally, four donors (UK, Ireland, Sweden and the World Bank) produced a common document to support their submissions for budget support (DFID et al, 2001).

20. Opportunities to link vertical programs to the wider framework have also been sought. These programs can still cause problems because of their use of separate accounting procedures and units. This is a major issue in the area of drug management, where numerous and poorly coordinated funding sources make planning and budgeting difficult (Health Sector Joint Review Aide Memoire, October 2001, p. 13). Nevertheless, there have been some improvements. The World Bank's Multicountry Aids Project (MAP), for example, now recognizes district plans as the basis for disbursing money, and so operates like a district SWAp.

21. The fact that more of the expenditure of the sector is now directly under the control of the MoH is leading to improvements in the planning process; for the incentives to take planning seriously have been increased now that more of the financial resources required to implement plans are directly available to the ministry. The shift from projects toward a SWAp reinforces the **links between country-led partnerships and the long-term holistic development framework**. In the past donors would try to implement projects, which were under their control, within an institutional setting of low pay, limited capacity and weak human resource development, which was not within their sphere of influence. Often projects would fail because of these institutional factors. The strengthening of partnerships means that participants in the sector are looking at the sector more holistically, rather than just at individual projects. This brings into sharper focus vital areas, such as human resource development, that were previously under-emphasized and for which government resources were not available.

22. Where, for policy or procedural reasons, donors unable to pool funding have attempted to fit into the SWAp as much as possible. Proposed projects are discussed in the finance working group (see paragraph 18 above) and ways of integrating them into the SWAp framework are sought. Where projects are located in particular districts, implementing donors try to ensure that

they are in line with district plans and incorporated into district budgets. All donors have participated in joint reviews even if they do not provide budget support.

Results Orientation

23. The HSSP contains logical frameworks for all sub-sectors with indicators for measuring annual progress. A number of indicators are linked to measuring the Millennium Development Goals (for example, reducing the maternal mortality rate from 506 to 354 per 100,000, 2000/01-2004/05, and increasing the contraceptive prevalence rate from 15% to 30% over the same period). The first Health Sector Performance Report was published in September 2001. As the HSSP is implemented, the framework envisages a shift from monitoring, in sequence, inputs, processes, outputs, outcomes, and impact. At present, the sector has just entered the stage where outputs are being monitored. There has been little assessment of whether the quality of services has improved. Given the wide range of factors affecting health outcomes and the length of time it takes for significant change to be effected, those working in the health sector argue that the earliest that impact can be recorded is when the next Demographic and Health Survey (DHS) is conducted in 2005. In the meantime, they argue that the appropriate processes are being introduced, such as increasing immunization and contraceptive coverage.

24. Monitoring largely takes place during joint reviews between government, donors and civil society and focus on key indicators. These started in 1999 and have taken place every six months since. Initially, they were very long and detailed, but now focus on key areas. Realism about what can be achieved has developed over time. At the beginning, donors would persuade the government to commit itself to a large number of undertakings and there were 32 undertakings resulting from the first review in 1999. Now the list is smaller (10 following the October 2001 review) and more manageable. The MoH is working to improve the links between its work plans and the six-monthly undertakings. All this should reinforce **the long-term holistic Development Framework** that has evolved in the health sector, ensuring that its goals can be realized and not just part of a “wish list.”

25. Tracking studies are being undertaken. The first was on PHC conditional transfers to districts and below. The second on financial mechanisms is currently in draft. It should identify systemic problems and provide some additional fiduciary assurance to DPs, especially those providing budget support. The third will be on drug supply.

Issues

Insufficient Resources to Implement PEAP

26. At present, the resources available are insufficient to meet the health-related targets in the PEAP. In March 2001, user fees were abolished. The loss in income to the sector is estimated to be in the range of 12-16%. However, the demand for health services will also increase now that formal charges have been abolished. Demand will also increase as new facilities are built at LC2 and LC4 to implement the HSSP, since this will reduce the costs of traveling to facilities.

27. To take account of these factors, large increases in government spending in the health sector are planned for the current MTEF (62% in 2001/02 over projected outturn for 2000/2001, 26% in 2002/2003 and 13% in 2003/2004). However, the 2000/2001 Public Expenditure Review points out that the increase in government funding is largely offset by a projected decline in donor project financing. As a result, total sector spending in 2003/2004 is expected to be below the level of 2001/2002 (World Bank, 2001, pp 11-12). Health was already one sector where estimates in the PEAP suggested that there were insufficient resources to achieve the PEAP targets for the

sector (resources flowing to the sector in 2000/2001 were estimated to be only 54% of annual PEAP requirements (Government of Uganda, 2001, p. 146). The risk is that, if the MoH and districts are unable to meet the targets contained in the PEAP and the HSSP due to resource constraints, the momentum that has been gained in shifting the emphasis from inputs toward outcomes will be lost since desired outcomes will be regarded as unachievable.

Late Arrival of Funds

28. Health officials have noticed an improvement in timeliness over the past two years or so, reflecting an increased participation by MFPED officials in the budget sector-working group; the fact that they arrive at all is regarded as a major achievement. Nevertheless, the late arrival of funds is still a major problem and the October 2001 Joint Review report states that “persistent delays in the flow of funds to districts and health units emerged as one of the main constraints in effective service delivery.” (Health Sector Joint Review Aide Memoire, October 2001, p. 4).

Limited Capacity in Districts

29. Most health sector expenditure takes place at district level. Yet it is only during the past few years that they taken on this responsibility. Decentralization has necessitated the recruitment of many new health workers using PAF funds. About 80% of planned recruitment has been achieved, but continuing shortages, especially in key qualified health workers is limiting the delivery of and integrated package of services. Other problems are weak procurement capacity and the poor quality of construction (Health Sector Joint Review Aide Memoire, October 2001, p. 4, 6, and 16).

Intersectoral Linkages

30. Most of the targets in the health sector require inputs from other sectors if they are to be met (for example, Ministry of Education has a role in training health professionals). The same is also true of overcoming the constraints listed above. However, other Ministries may not place such a high priority on providing this assistance as the Ministry of Health does.

Challenges

31. There are a number of challenges facing stakeholders if they wish to deepen the implementation of CDF principles in the sector:

32. *Increasing the comprehensiveness of the health sector budget.* Not all donor expenditures appear in the budget. Health is one sector that is attempting to record all donor expenditures as part of a pilot within PRSC II. Because some donors work in specific districts, their project activities are less obvious to the MoH. The same is true of NGO activities, although these are comparatively small.

33. *Reducing the costs of coordination.* Interviewees thought that the benefits of the health SWAp exceeded the costs. Some, however, felt that costs might be reduced further. It might be possible to have fewer meetings. In time, there might be greater scope for donor participants to represent more than one donor. The consensus was, however, that it was too early for donors to substitute for each other, since they are still agreeing on approaches.

Eliminating additional missions tacked on to joint reviews. Some donors monitor additional indicators in addition to those agreed as part of the NHP/HSSP. To do this they add on a few extra days to their participation in the six-monthly reviews and impose additional burdens on MoH staff at a time when they are busy preparing for the review or catching up on work after it.

34. *Improving the motivation of health staff.* In the UPPAP, the poor recognized that poor quality of treatment by health staff can sometimes result from low motivation due to understaffing, poor conditions, delayed and low salaries (Ministry of Finance, Planning and Economic Development, 2000, p. 68). Some districts are experiencing difficulties in recruiting staff, partly because of low pay, and it has been recommended that the idea of hardship postings be studied drawing on the experience gained by the Ministry of Education (Health Sector Joint Review, 2001, p. 6). A number of key informants, both within and outside the sector, regarded pay reform as the key issue for the implementation of the PEAP.

35. *Reducing corruption.* In the UPPAP the poor complained about bribes and health officials demanded for patients to be seen. They are also concerned about the leakage of drugs from the system, many stolen for private sale (Ministry of Finance, Planning and Economic Development, 2000, pp. 66-67). While pay reform may reduce the need for health sector staff to supplement their pay through corrupt means, experience elsewhere suggests that the culture in which corruption thrives also needs to be tackled, through, for instance, measures to improve accountability.

36. *Strengthening Inter-sectoral Working Groups.* Many of the problems that the health sector is tackling are shared with other sectors, particularly water. However, while sectors are developing effective ways of coordination between partners within the sector, mechanisms for coordination across sectors are not so well developed. The PRSC provides a framework and processes that can strengthen this type of collaboration and coordination.

Annex D-3. The Rural Sector and the Plan for the Modernization of Agriculture

Background

1. The case study selected the agricultural, education, health, and water and sanitation sector as a lens through which progress on implementation of the four CDF principles could be assessed. However, for the agricultural sector, initial meetings indicated that the Plan for Modernization of Agriculture (PMA) currently being implemented in Uganda subsumes all activities in the agricultural sector. The PMA uses a multi-sectoral approach and offers an alternative framework for addressing problems in the rural sector as opposed to the agricultural sector per se. Eighty-five percent of 22 million people in Uganda live in the rural areas, and depend heavily but not primarily on agriculture. As such, problems in the rural sector go beyond the agricultural sector for the rural poor and include: poor roads and transport networks, lack of access to credit, markets and unemployment among many other problems that can best be solved through a multi-pronged approach.

2. Poverty being a complex, multidimensional and location specific phenomenon, the structure of the PMA is intended to allow decisions to be made within localities. The PMA seeks to establish cross-cutting linkages between the various sectoral ministries such as health, education, works, natural resources, etc. and with delivery mechanisms through the local government structures to the districts for onward delivery to the sub-counties. Assessment of progress on implementation of the PMA therefore hinges on institutional mechanisms and processes that have been put in place to deliver to localities on poverty reduction in the rural sector as a whole not just agriculture. The basic assumption behind this institutional mechanism is a functioning local government system, which assumes that basic capacities exist for local governments to carry out their functions as mandated in the Local Governments Act. Because of PMA's multi-sectoral approach, there is need to change institutional behavior at both the central and local government levels in order to harmonize delivery of services. At the same time, there is need to change the way poor communities engage with service providers. As regards the latter, communities need to be empowered to articulate better their problems and their demand for services.

3. In view of the multi-sectoral nature and the relative newness of the PMA framework, which became fully operational only in 2001, the current review is more prospective in nature, assessing the extent to which PMA institutional mechanisms should enhance the implementation of CDF principles. The following section attempts to unpack the key PMA institutional arrangements and processes and suggest how the myriad PMA linkages are intended to address the problems of the rural sector.

Progress in Implementation of the PMA

Formulation of the PMA

4. In 1996, there was a retreat that took place in Mbale (Eastern Uganda), spearheaded by Ministry of Agriculture that involved many other stakeholders, to discuss the status and future of agriculture due to continued problems in the sector. Thirteen priority areas were identified and working groups formed to handle the drafting of the first PMA document. The first draft of the PMA was issued in 1998 but had many priority areas, some of which were seen to be outside the mandate of the Ministry of Agriculture, and yet the problems highlighted were directly relevant for poverty reduction. Therefore, there was a need to recast the document to focus on poverty as opposed to agriculture sector per se. The Uganda Participatory Poverty Assessment Project

(UPPAP) was also underway at the time and its findings helped to inform the current revised PMA document that was issued in December 2000.

Objectives of the PMA

5. The PMA addresses two out of the four pillars of the PEAP namely, improving the quality of life and increasing the ability of the poor to increase their incomes. Specific objectives include (1) increased incomes and food security through increased productivity and marketed share of production; (2) expanded gainful employment through both on-farm and off-farm activities (agro-processing and services); and (3) promotion of sustainable use and management of natural resources. The PMA encompasses 12 sectors to ensure that the cross-cutting theme of “farming as a business” is addressed. The need for attention to the following priority areas is identified:

1. Agricultural Research and Technology Development
2. Agricultural Advisory Services
3. Agricultural Education
4. Natural Resource Use and Management
5. Access to Rural Financial Services
6. Agro-Processing & Marketing
7. Supportive Physical Infrastructure

The PMA Institutional Structure (see figure A)

6. *The PMA Forum.* Implementation of the PMA is under the guidance of a multi-sectoral⁴⁰ planning and financing forum comprising of 50 members representing all stakeholder categories, including central and local government, the donor community, private sector, civil society and research institutions and societies. The forum is assisted by an executive Steering Committee (PMA SC) comprising 35 members drawn from the same PMA forum pool. The forum provides broad guidance for implementation of the PMA and meets quarterly to advise the PMA SC on the operationalization of the PMA.

7. *The PMA Steering Committee.* The purpose of the PMA SC is to provide advocacy, policy harmonization and management support for the implementation of the PMA. It has executive powers not only to implement the PMA but also to enhance its visibility as a national, multi-sectoral poverty eradication strategy under the PEAP. The PMA SC meets once a month and works through four subcommittees namely:

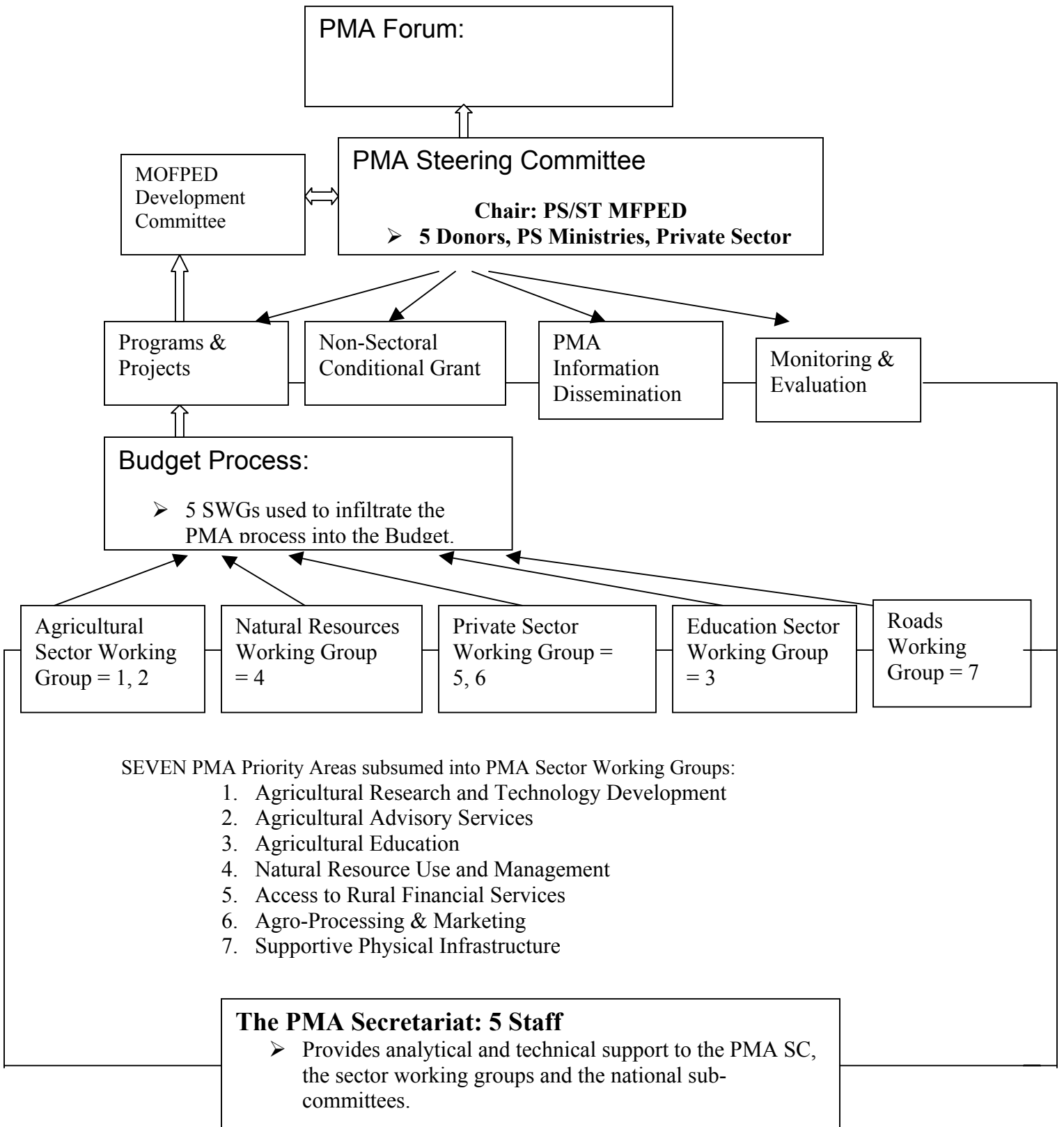
- 1) The Programs and Projects subcommittee: which reviews ongoing projects for PMA compliance and budget allocations.
- 2) The Non-Sectoral Conditional Grant subcommittee: which provides money to sub-counties to bridge the gap between the communities and the market. Areas of intervention are identified by sub-counties.
- 3) The PMA Information Dissemination subcommittee: which publicizes the PMA.
- 4) The Monitoring & Evaluation sub-committee: which oversees monitoring and production of performance reports on implementation of the PMA, and later its impact.

8. *The PMA Secretariat.* The main role of the PMA Secretariat, under the Ministry of Agriculture, Animal Industry, and Fisheries (MAAIF), is to support linkages between the PMA-

⁴⁰ There are 12 sectors represented within the PMA Framework.

SC, PMA Forum, and the PMA implementing ministries, institutions, and agencies. The functions of the Secretariat also include: technical and policy analysis, and liaison with all stakeholders to ensure smooth functioning of the PMA through eight national subcommittees namely: The Non-Sectoral Conditional Grant and its Financing Modalities, Dissemination and Sensitization, Projects/Programs Review, Rural Financial Services, Food and Nutrition Security, Natural Resources, Agro-processing and Marketing, Monitoring & Evaluation.

9. The PMA Secretariat is at the center of the PMA framework. The capacity of the Secretariat to coordinate and monitor all PMA activities is very thin. Its skeletal core staff is supplemented by heavy reliance on consultants, which raises an issue of sustainability.

Figure A: The PMA Institutional Structure:

Operational Issues

Harmonization of Delivery of Services under the PMA:

10. The PMA sets out a framework for rural development by identifying activities required to solve problems in the rural sector such as water, sanitation, roads, agricultural extension and micro-finance, but allocates them to whoever can handle them best in terms of either public or private sector intervention. Most activities identified by the sub-counties require funding through local government. However, service delivery is typically contracted out through the private sector with support from the non-sectoral conditional grant (see Figure 1, “Operationalization of the PMA,” appended to this section, extracted from the PMA document).⁴¹

11. While the design of the PMA promises to deliver on several fronts, results of its operationalization will have to be assessed for each of its delivery mechanisms such as the non-sectoral conditional grant, the sub-counties, the contractors at the local level and the ability of the various subcommittees to oversee delivery of PMA activities. The non-sectoral grant, still in its relative infancy, has been subject to a first monitoring exercise. The results revealed a number of teething problems, such as untimely release of funds to sub-counties, resulting in unplanned expenditures that do not correspond to priority needs.

12. Other PMA mechanisms that need to be assessed in future are working groups that propose and review programs or projects for the respective sectors. Proposals are screened by the projects and program subcommittee for PMA compliance. Criteria for PMA compliance are:

- Extent to which proposal contributes to the above-mentioned aims and objectives of the PMA;
- Implementation within the PMA policy framework, including: 1) provision for multi-stakeholder participation in initiation, design, implementation, monitoring, and evaluation, 2) whether project can be funded under the PMA arrangements (e.g. government grants to sub-counties, ministries, or agencies).

13. The PMA Steering Committee oversees the delivery of each working group and the linkages between sector working groups and the donor sub-groups. It acts as a clearinghouse covering the interests of PMA stakeholders. Approved projects or programs are passed on to the Development Committee within MFPED for funding through the budget process. While there is consensus among key informants that PMA working groups have streamlined the budget process, these review and funding processes should be the subject of future assessments.

14. Donor confidence in two PMA components is reflected in a commitment or consideration by several donors to provide budget support to the National Agricultural Research Organization (NARO) and the National Agricultural Advisory Services (NAADS). One influence behind this shift in attitude toward supporting the PMA stems from the Consultative Group meetings held in-country, in which the multi-sectoral dimensions of the PMA were laid out for donors. According to key informants, the continuous interaction between donors and the line ministries on the PMA steering committee has also increased donor trust.

⁴¹ Figure extracted from the PMA Document: *The Government Strategy and Operational Framework*, 2000.

Lessons Learned

15. With the redrafting of the PMA document, there was a change in conceptualization of solutions to rural problems from focusing on a single sector—agriculture—to a multi-sectoral approach. Thus, the recognition of the role played by different sectors and a direct attempt to incorporate them in the planning and implementation process became paramount.

16. The negotiating process with other ministries, especially MFPED, and consultations with districts and farmers, has bred an element of ownership of the PMA. Because of its multi-sectoral approach, the PMA framework enhances the CDF principles, particularly that of holistic strategy and the theme of ownership since it empowers local communities to decide their needs and solutions on how to address them. Significant PMA operational achievements thus far have been: (1) provision of a Non-Sectoral Conditional Grant (NSCG) to 24 districts and 358 sub-counties to fund PMA-compliant projects (as identified by sub-counties); and (2) monitoring of the delivery of the grant.

17. The NSCG was delivered to sub-counties through districts that have already benefited from the development component of the Local Government Development Program (LGDP). Since all districts receive the capacity building component of the LGDP, sub-counties within the selected districts are assumed to have capacity to deliver the NSCG. Each sub-county that receives the NSCG has been equipped with a PMA coordinator to help community groups access public resources to contract private service providers. An inherent assumption, which needs to be tested, is that the market will respond through provision of desired services from the private sector.

18. The establishment of the new agricultural research system through NARO, which promises to be farmer-responsive, and the NAADS system that relies on extension services delivered through the private sector, are potential best practices (see Box 1 below).

Box 1. The National Agricultural Advisory Services (NAADS): An Innovative Extension Delivery System

The NAADS model envisions: *“A decentralized, farmer-owned and private sector serviced extension delivery system contributing to the realization of the agricultural sector development objectives.”* The success of NAADS so far has been its ability to put in place a strategic framework for national advisory services and operate within this framework. NAADS is a 7-year strategy that is being implemented on a 2-year pilot basis and will then be rolled over every 5 years.

Its approach embodies the 4 CDF principles. NAADS has a holistic long-term strategy. Ownership was enhanced by extensive consultations with Parliament and 36 Districts in the formulation of NAADS. The NAADS task force involved close collaboration between government and donors. NAADS is currently conducting a survey of farmer groups and private sector providers. This will enable baselines to be established before the new system of service delivery is initiated.

A number of development partners (including the World Bank, IFAD, European Union, DFID etc.) have agreed to provide budget support funding to NAADS. At least 75% of NAADS funds will be dedicated to direct payments for advisory services that include: guided farmer planning, market information, access to credit, extension services such as preventive research, management practices and foundation (new) technologies. The NAADS nuclear institution is farmer groups at the Parish level who will be strengthened to access services by contracting private sector service providers. Funds will also be provided for strengthening the private sector service providers. Those extension workers who wish to leave public service will be paid terminal benefits and retrained and retooled to fill the private sector gap. It is envisaged that a quality assurance firm will be contracted to check the performance of both the private sector service providers and the sub-counties, which receive the funds on behalf- of the farmer groups. The NAADS model therefore represents a new “bottom-up” approach to empowering farmers to define and access extension services, as well as a shift from public to private delivery of agricultural advice. The success of the model remains to be assessed initially through an internal evaluation.

Issues

19. Studies were launched for each priority area to identify not only activities for implementation but also their mode of operation. However, only a few studies have been completed:

1. The National Agricultural Research Organization (NARO)
2. The National Agricultural Advisory Services Programme (NAADS)
3. The Land Sub-Sector Strategy Plan

20. The remaining studies will be completed by the end of December 2001. A study on monitoring and evaluation (M&E) is also underway and is expected to lay the framework for a comprehensive M&E system for the implementation of the PMA. The study will enable the PMA SEC to establish indicators and benchmarks to measure progress of implementation and sector performance targets. Without clear targets, benchmarks and indicators in place, it will be difficult to assess PMA performance.

21. A number of key informants within and outside the PMA framework expressed impatience about a perceived continuing emphasis on studies that were “reinventing the wheel,” and lack of movement toward implementation.

Challenges

22. Challenges to the PMA mechanism lie in the fact that decisions regarding required interventions are made by the sub-counties unlike the case in other sectors. The sub-counties

prioritize their specific needs such as access to safe water, repair of feeder roads or agricultural extension. Thus, the importance of the non-sectoral conditional grant lies in the fact that sub-counties can access finance to fund their priority needs such as community roads, which may not be a priority for funding within the road sector. According to a group interview in Pallisa district, only feeder roads are considered a priority under the local government conditional grants to districts.

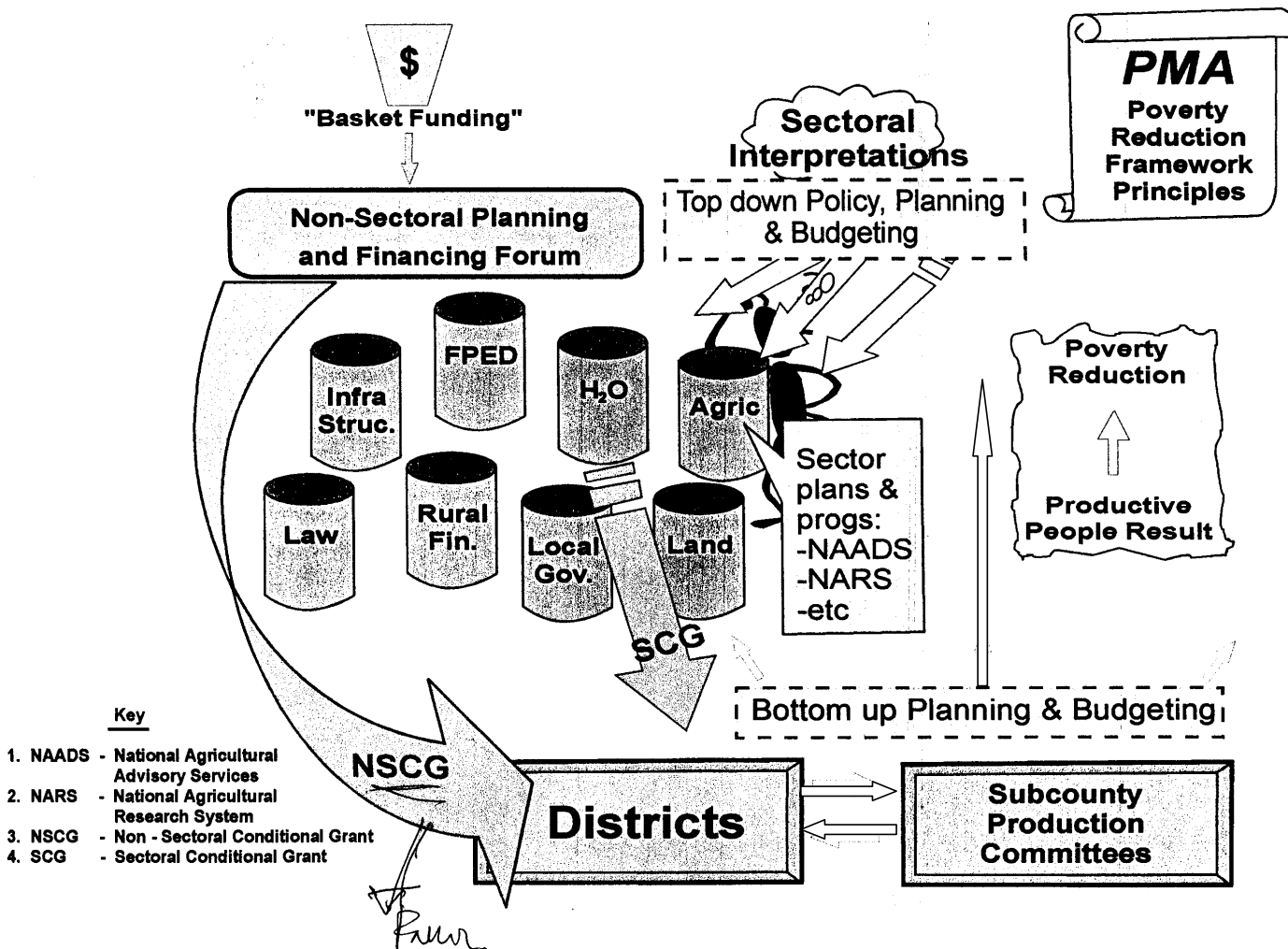
23. The other challenge lies in the kind of monitoring and evaluation systems that can be put in place when there are no predetermined outputs, although outcomes can be measured. For example, when the sub-county decides to build school water tanks, the outcome is improved access to safe water by school children. However, the monitoring system could not have predicted that “building water tanks’ would be the outputs from the grant. Therefore, it is difficult to assess the input-output linkages of the NSCG until outcomes have been determined. In other sectors, the central ministry agrees on priorities and outputs in the sector through a sectoral strategy such as the Education Sector Strategy and passes this on to the local government for implementation. In the latter case, it is less difficult to monitor or assess whether outputs have been achieved or not.

24. The reliance of PMA on a functioning local government system poses a challenge for service delivery to the rural poor, especially funding of activities through the non-sectoral grant. The feedback from the monitoring exercise of the NSCG indicates lack of capacity in the districts to pass on grants to sub-counties in a timely manner. There was late disbursement of funds between all levels and timing of release of funds from the center.

25. Due to lack of training and capacity at the sub-county level, there is lack of harmonization of procedures at the sub-county level. Since the main funding vehicle for PMA activities is through the NSCG, the biggest challenge remains the weak linkages between PMA, Ministry of Local Government, and the LGDP processes.

26. The other biggest inherent weakness of the PMA is the assumption that the “market” will pick up (stable prices, the demand for goods and services produced) after the supply side functions (support to production, access to credit, etc.) have been put in operation. The question remains as to how functional the markets really are? During the team’s visit, there were reports of a maize glut that the market could not pick up. Most farmers and district level officials were concerned about the losses incurred with the maize crop and whether people would engage in production of maize in the coming season. There is an urgent need to address the market issue if the PMA framework is to succeed.

FIGURE 1. OPERATIONALISATION OF THE PMA



Annex D-4. Development Cooperation in the Water and Sanitation Sector

Poverty was blamed on lack of clean water because of resultant disease and restricted production in Kumi; whereas poor sanitation, primarily due to the health burden, featured as a cause of poverty in Kampala.

Local people made a clear association between drinking unclean water, poor sanitation and diseases such as diarrhea, cholera, and river blindness.

“A donkey is used to transport goods especially where vehicles cannot transport due to steep terrain When a woman is sick, it is available for a man to fetch water.” --- Man, Kapchorwa District

MFPEd, *Uganda Participatory Poverty Assessment Project: Learning from the Poor* (2000: 80-84)

Background

1. Improved water and sanitation is identified as a priority under the fourth pillar of the PEAP: *enhanced quality of life of the poor*. The Uganda Participatory Poverty Assessment (UPPAP) reports that poor access to clean water and poor sanitation was the second most frequently cited community problem (MFPEd 2000:86). In addition to the health and quality of life benefits of improved water supplies, the 2000 PEAP highlights a distinctive *gender* benefit (MFPEd 2001a: 133):

...they free large amounts of time which is currently spent carrying water (particularly women's and children's time); this has been found in some African countries to constitute a significant disincentive to female educational enrolment.⁴²

2. The 1997 PEAP set specific objectives for the water sector, including:

- provision of safe drinking water to 100% of the population by 2015, and adequate water for livestock;
- creation of community capacity and incentives to operate and maintain facilities through participation and financial contributions;
- conservation of water resources; and
- increased coordination among government programs and those of NGOs and others.

3. The revised 2000 PEAP, citing the findings of the UPPAP, reinforces the priority given to this sector and maintains and refines the 1997 objectives. A 100% coverage target for safe and accessible water and sanitation for the rural population by 2015 is retained for the rural population. Full coverage by 2010 is targeted for the urban population in 75 towns. The costs of achieving these targets are estimated at about \$846 million and \$706 million for rural and urban populations, respectively (MFPEd 2001a: 133-6).

4. The magnitude of the task implied by these targets is suggested by estimates of actual coverage, which in 1999 were 47% of the rural population, with the proportion in 10 districts being 30% or lower, and 58% among urban populations (MFPEd 2001a: 133). The PEAP targets may also be compared with the less ambitious, but not trivial international MDG target of halving by 2015 the proportion of people “without sustainable access to safe drinking water” (UNSG 2001).

⁴² The UPPAP also notes that improved access to safe water would free-up women's time for increased contributions to agricultural productivity or other income-earning activities.

4. Several entities of the GOU have had responsibility for provision of water and sanitation. Main responsibility for rural water and sanitation has lodged with the Ministry of Water, Lands, and Environment (MWLE) and the Directorate for Water Development (DWD) within the Ministry. However, the Ministry of Health (MOH) has sought and played a role in sanitation and hygiene promotion and education and the Ministry of Education and Sports (MOES) has responsibility for hygiene education and sanitation in schools. The National Water and Sewage Corporation (NWSC), a semi-autonomous agency under the policy guidance of MWLE, has had responsibility for water and sanitation in 12 major towns, including Kampala.

5. The history of development cooperation in the water supply and sanitation sector goes back at least a decade. The bulk of donor assistance to the sector has been in the form of project support, typically focused on specified towns, districts, or regions. Budget support has been provided under the PRSC by the World Bank (IDA). Among eight donors committed to providing about US\$20 million over the next 3-6 years, 4 account for 95%, including the World Bank, Danida, Sida, and German Cooperation (KfW/GTZ) in that order. Some donors have traditionally provided assistance for rural water and sanitation while others have focused on urban areas.⁴³

6. The foundation for a substantial evolution in development cooperation relationships has been laid through efforts of the GOU and its development partners (DP) over the last two years. These are described in the next section.

Achievements

Long-term Holistic Development Framework

7. A Sector Working Group for water and sanitation, chaired by the Permanent Secretary of MWLE, has met during the budget process for each of the last five years to prepare a sector Budget Framework Paper. However, the achievement of a comprehensive sector strategy for water and sanitation has been a more protracted process than for the education and health sectors. One reason is undoubtedly the relatively more complex government institutional environment prevailing in water and sanitation than in the other two sectors. While MWLE has had responsibility for setting the overall policy framework, NWSC has operated with a high degree of de facto independence. The ground has been prepared for a long-planned privatization of NWSC, which is about to be launched. As noted above, the Ministries of Health and Education also play significant roles.

8. The overall effort to formulate a sector strategy for water and sanitation in Uganda is known as the *Water Sector Reform*. Three elements of the reform have been completed:

- 1) *National Water Policy* (GOU 1999), which in turn launched:
- 2) *Urban Water Strategy* (GOU 2000a) and
- 3) *Rural Water and Sanitation Component: Investment Plan and Strategy. 2000-2015* (GOU 2000b).

⁴³ Danida is the lead donor for the rural sub-sector, with DFID, Sida, SNV (Netherlands), UNICEF, and the U.K. NGO, "Wateraid," comprising the other donors. German Cooperation (KfW/GTZ) is the lead donor for the urban sub-sector, with other donors including AfDB, Austrian Cooperation, the EU and BADEA (East African Development Bank) (World Bank 2001:3).

9. Two additional elements are under preparation and will be required before a comprehensive sector strategy can be formulated:

- 4) *Water for Production Sub-Sector Reform Study* and
- 5) *Water Resource Management Component*.⁴⁴

Country Ownership

10. The MWLE and DWD have played a leading role in the Water Sector Reform process in which, according to a key informant, they have sought to involve all stakeholders in the process. This has been accomplished through informal consultations after the abolishment three years ago of an Inter-Ministerial Steering Committee for the rural water sub-sector.

11. Another factor that has enhanced country ownership has been an active network of more than 50 NGOs and Community-Based Organizations (CBOs) involved in water and sanitation activities in Uganda. Many of these organizations are affiliated with an umbrella organization known as “UWASNET.” UWASNET participated in the recent *Joint Water and Sanitation Sector Review*.

12. Agreement by sector review participants to establish five standing committees – Water Policy Committee, Water and Sanitation Coordination Committee, Water Sector Working Group, District Water and Sanitation Committee, and Inter-district Coordination Committee – will undoubtedly further enhance the GOU’s leadership role.⁴⁵

13. A GOU decision in May 2001 to assign lead responsibilities in what had been a contentious area, *sanitation*, should also enhance country ownership. The MOH is to be lead line ministry for household sanitation and hygiene promotion; MOES is to be the lead for school sanitation; and MWLE is to be the lead for urban sanitation (GOU 2001:9).

Country-led Partnership

14. The holding of the first joint sector review in September 2001 constituted a watershed in terms of enhanced country leadership in relationships with development partners. Representatives of five Ministries, a number of local government bodies, and 12 development partners (including UWASNET) participated in the 3-day meeting.

15. The review was reported to have resulted in “resounding convergence” by the GOU and its sector development partners (World Bank 2001:2). It was organized around five main areas identified during the preparation process: Sector Reform, Sector-wide Approach (SWAp), Capacity Building, Rural Water and Sanitation, and Urban Water and Sanitation. The review resulted in 56 mutually agreed undertakings, most of which are to be met by or before the next Joint Sector Review, which is to be held in September 2002, and annually thereafter. The majority of the undertakings agreed at the sector review are for GOU action and a smaller number (16) are for DP or joint DP/GOU action.

⁴⁴ The *Rural Water and Sanitation Strategy*, and *Water for Production and Water Resources Management* studies have been funded by Danida. “Water for Production” refers to the use of water for agricultural and industrial production.

⁴⁵ The first two of the committees will meet twice a year and the last three committees are to meet on a quarterly basis. The detailed structures and functions of the committees are to be developed and agreed upon before the September 2002 meeting of the Joint Sector Review (GOU 2001:6, 8).

Results Orientation

16. Results orientation in the water supply and sanitation sector has focused primarily on inputs, processes, and outputs. During 1999/2000 and 2000/2001, there was over-achievement of PEAP targets in the provision of the most common and popular means of expanding access in rural areas to safe water: boreholes. Targets for other means of providing safe water, such as protecting standing sources of water (springs and shallow wells), were not achieved. This led the GOU to broaden the output target definition for future years to “provision of safe water points” in order to accommodate various means of reaching the target (MFPED 2001a:135).

17. Output level targets for sanitation facilities are more difficult to define and there appears to be no agreed definitions for either the rural or the urban sub-sectors.

18. There are no water supply and sanitation targets at the outcome level. While it is clear that poor quality water and sanitation contribute to debilitating disease and mortality, attributing changes in health status to water and sanitation improvements is complicated by the fact that a number of other factors, including health services, food security, and education impact on health status. Monitoring the impact of improved accessibility of safe water on the allocation of time by women and children would require specially designed household surveys.

Issues

19. There are two broad goals to keep in mind in assessing progress in the Uganda water supply and sanitation sector:

- (1) achieving a full Sector-wide Approach (SWAp), including a substantial share of external assistance to be provided through budget support, by September 2003 (as agreed by the recent Joint Sector Review); and
- (2) meeting the PEAP targets for full coverage of the urban population in 2010 and the rural population in 2015.

20. Participants at the recent Joint Sector Review identified the following key constraints to achieving these goals.

- Institutional structures of the MWLE, DWD, and NWSC are in urgent need of reform. Reforms now underway were given high priority by the recent Joint Sector Review.
- Capacity of local government, especially at the district level, is extremely thin, and the many capacity building interventions are uncoordinated (see Box below).
- The high failure rate of water and sanitation facilities in both rural and urban settings means that sustainability is a critical problem.⁴⁶
- Poor sanitation continues to pose a threat to the health benefits of improved water supplies.

21. According to a government key informant, 60% of donor funds for stand-alone projects in the water and sanitation sector go to technical assistance (TA) and vehicles, and 50% of project procurement is for expatriate TA. These characteristics are expected to change over time, as existing projects terminate beginning in 2003.

⁴⁶ The MOU for the Joint Sector Review reports that 30% of rural water facilities are currently non-functional (GOU 2001:9).

Box D-4.1 The Overriding Constraint: Funds or Absorptive Capacity?

The First Joint Water and Sanitation Sector Review of the Government of Uganda and its Development Partners paints the following picture:

Present coverage levels are unacceptably low. There is growing concern that even if sector targets reflect the high level of community need, they cannot be met at present due to low local government absorption capacity. If this is not brought closer to reality, community based approaches will suffer, operation and maintenance will be neglected, costs will rise and water and sanitation sector service provision will be discredited. ... Some partners are drawing the conclusion that it is capacity rather than lack of funds that is presently a constraint for the rural water and sanitation sub-sector. However, this is not the perception of all sector authorities (GOU 2001:7).

Challenges

22. A short-term challenge is completion of institutional and price policy (tariffs) reforms, which include privatization in the case of the NWSC.

23. The second challenge identified by the sector review is the development and implementation of a strategic capacity building plan based on a needs assessment and oriented to a gender-sensitive, demand-responsive approach (see Box).

Box D-4.2 Improving Water Supply and Gender Sensitivity

At a meeting in a rural district with stakeholders from local government and civil society, the case study team heard the following complaint from a woman about the rural water supply program in her district. She claimed that the location of new boreholes was based on political influence rather than being located to minimize the walking distance for women, who shoulder the heaviest burden in obtaining water for their households.

24. Improving the operating performance of water supply systems poses different challenges for the rural and the urban sub-sectors. The sector review concluded that rural community-based maintenance systems needed to be reassessed and revitalized with the help of NGOs and community-based organizations. For the urban sub-sector, the key was seen as continued pursuit of reforms intended to put systems on a commercial basis.

25. The Joint Sector Review concluded that hygiene promotion is “arguably the single most important intervention in the sector and the key to accelerated adoption of household sanitation.” It gave particular priority to expanding sanitation facilities and hygiene promotion programs (GOU 2001:10-11).

A Water and Sanitation SWAp: Lessons Learned and Challenges Remaining

26. The Uganda water supply and sanitation sector is proceeding on a similar path to that followed by the Education and Health sectors. A national policy statement has been followed by the formulation of strategy documents, and now, by the first Joint Sector Review.

27. However, water supply and sanitation has not yet progressed to the same milestones as its predecessors on the SWAp path. The overarching undertaking required of the GOU is to develop a comprehensive action plan by September 2002 and a sector-wide investment plan by September 2003. The implicit but unstated assumption of the Joint Sector Review report is that development partners will commit to fully aligning their support, whether budget or project, with these plans.

28. Development partners at the sector review undertook to “fully support the reform process through delivery of flexible and coordinated assistance as well as showing loyalty to the move away from projects.” (GOU 2001:4). However, a shift to budget support is likely to be a gradual process that will depend on the following considerations:

- The share of project aid to the sector is still large and remaining implementation periods vary from project to project.
- Development partners will undoubtedly want to see significant progress on the complex but key GOU institutional and policy reforms, including the privatization of NWSC.
- They are also likely to look for greater “fiduciary assurance.” The report of the Joint Sector Review observes, “current practice falls short of GOU financial accountability requirements.” One of the main GOU undertakings is to improve monitoring and technical audit arrangements. The report also suggests that accountability could be enhanced through “community monitoring and control.” (GOU 2001:7).
- The sector review recognizes that, while general budget support is the preferred GOU financing mechanism, some form of *earmarked* budget support is more likely in an interim phase. It is further suggested that earmarked support will “place pressure on institutional reforms that will ultimately make earmarking unnecessary, and allow a constructive diversity of approaches in a situation where no one approach has all the answers.” (GOU 2001:7).

29. Successful transition to a full SWAp in the water supply and sanitation sector will also depend on other actions by development partners, apart from their willingness to provide budget support. At the sector review (GOU 2001:4,8) they undertook to:

- Harmonize rules, procedures, procurement, and reporting between partners (progress to be reviewed in 2002 and finalized in 2003).
- Coordinate their accountability requirements so that a single annual tracking study and audit becomes sufficient.
- Provide flexible support to capacity building and coordinate their technical assistance within the framework of an emerging capacity building strategy.
- Support principles and policies for operation and maintenance of water supplies and sanitation and channel resources to strengthen and consolidate private sector supply chain infrastructure in Uganda.
- Be open to channel increased resources directly to the sanitation sub-sector.

30. If the experience of the education and health sectors is a guide, by 2003 there should be considerable reduction in the number of undertakings generated by the Joint Sector Review for Water and Sanitation. With progress in completing the existing undertakings and the accompanying enhancement of mutual trust between the GOU and its development partners, one key informant expects such an increase in efficiency to occur.

Annex E. Quantitative Dimensions of Selectivity Among Donors

Table E-1. Bilateral Donors and Commitments, Selected Sectors, Uganda (Commitments and Commitments per Donor in US\$ million; annual averages)			
Sector (annual averages)	Bilateral Donors	Commitments (US\$ million)	Commitments per Donor (US\$ million)
Agriculture			
1993-1996	14	\$ 49.2	\$ 3.52
1997-2000	16	\$ 35.1	\$ 2.20
Percent Change	14%	-29%	-38%
Education			
1993-1996	14	\$ 35.5	\$ 2.54
1997-2000	19	\$ 99.9	\$ 5.26
Percent Change	36%	181%	108%
Health			
	13	\$ 35.0	\$ 2.69
	16	\$ 106.8	\$ 6.67
Percent Change	23%	205%	148%
Transport			
	9	\$ 51.4	\$ 5.71
	12	\$ 56.6	\$ 4.72
Percent Change	33%	10%	-17%

Table E-2. Donors, Projects, and Agreements by Sector, Uganda (Active Projects as of January 2002) ⁴⁷			
Sector	Donors	Projects	Agreements
Agriculture	20	82	95
Education	19	43	60
Health	20	55	97
Manufacturing	16	19	29
Mining and Energy	15	17	30
Multi-Sector	29	83	197
Natural Resources	13	33	41
Public Administration	15	78	126
Social Infrastructure	13	29	47
Transport and Communication	17	56	72
Water Infrastructure	9	26	31
Total	42	524	825

Source: GOU, Ministry of Finance, Planning and Economic Development.

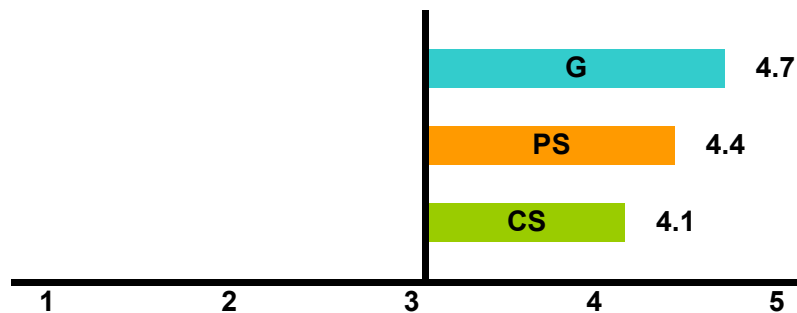
⁴⁷ Active projects defined as disbursing, effective but not yet disbursing, and signed but not yet effective.

Annex F. Selected Results of Questionnaire Survey on Development Cooperation Principles in Uganda

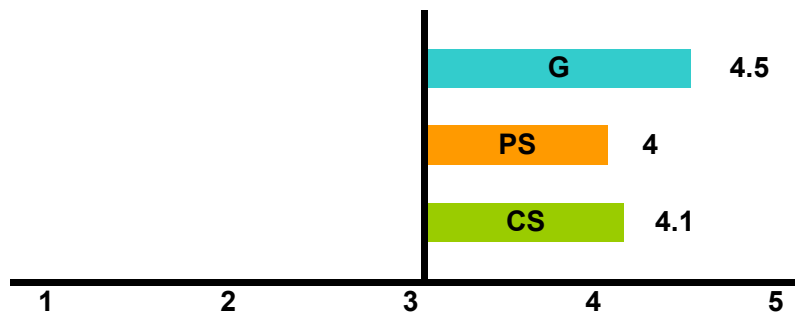
Note: the results shown below are the most frequently given responses to the indicated narrative question, in order of frequency. In some cases, responses have been grouped into broader categories: e.g. “enabling environment” includes political stability and security, as well strong leadership and media freedom.

Background

- Overall, the country has experienced socioeconomic progress in many sectors over the last ten years.



- Overall, the policy environment has been instrumental in stimulating the country’s socioeconomic progress.



- 3 a): In your view, are there factors beyond the policy environment [listed in previous questions] that have been instrumental in stimulating socioeconomic progress?

Civil Society

- Conducive enabling environment: political stability and security; strong leadership; press/media freedom
- Increasingly active civil society/NGO and public participation
- Women’s empowerment
- Increasingly active private sector participation, including entrepreneurial nature of people
- Increased delivery of social services through civil society
- Favorable climate and natural endowment that have led to food security

Private Sector

- Conducive enabling environment: macro-stabilization policies; liberalization of product markets; PEAP and associated policies
- Greater awareness of individual rights
- Moves toward regional and global economic integration

Government

- Conducive enabling environment: relative stability, peace, and security; good investment climate for domestic and foreign investors; willingness of government to build partnerships with all stakeholders
- Political willingness to follow through structural reforms
- Role and initiatives of NGOs
- Support from external development partners, including donor grants
- Favorable natural climate
- Human resources: hard-working population; interest and skills of the diaspora

3 b): In your view, are there factors beyond the policy environment that have been instrumental in stifling socioeconomic progress?

Civil Society

- Restrictive policies toward CSOs
- Corruption, including lack of transparency and accountability
- Insecurity and violent conflict within and on borders of the country, and related concerns over defense spending; shifting of government focus from development priorities
- Failure to empower women and address gender concerns in implementation of policies
- International economic policies and trends in world trade, esp. Structural Adjustment Programs
- HIV/AIDS pandemic
- Lack of participation by all development actors

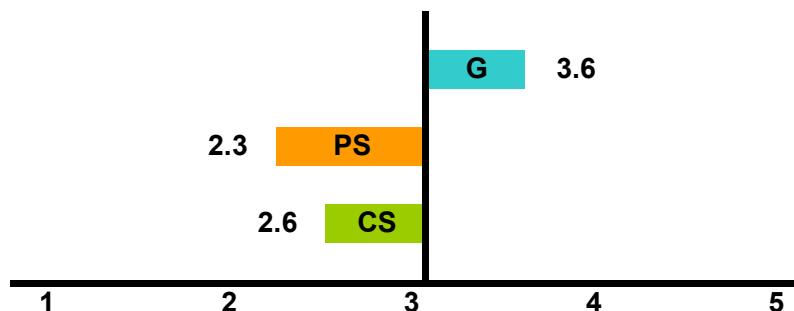
Private Sector

- Lack of implementation of policies; political interference resulting in policies “on paper only”
- Lack of micro-policy implementation, with a focus on households
- Diminishing purchasing power, with 76% of the population living on less than \$1/day

Government

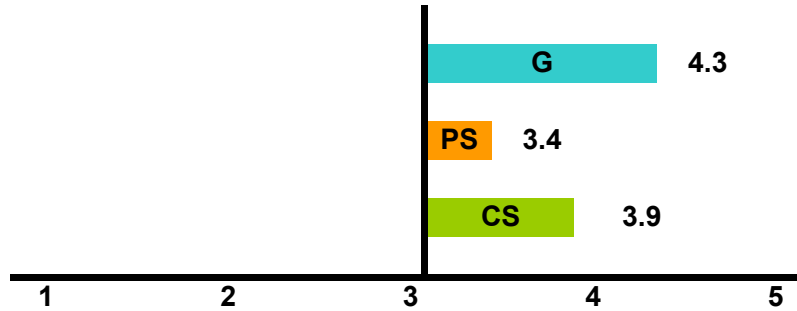
- Insecurity and violent conflict within and on borders of the country
- Corruption, mismanagement of public funds
- Poverty and inefficient markets in agriculture
- Concerns about international trade barriers
- Donor practices that increase the cost of aid (e.g. inappropriate Technical Assistance, aid dependency)
- Lack of human resource capacity to implement programs
- Inadequate quality assurance and monitoring and evaluation

4. The country’s socioeconomic progress has pulled many people out of poverty.



Long-term, Holistic Development Framework

1. The development goals prioritized within the *Poverty Eradication Action Plan (PEAP)* are attainable.



2. In your view, do the development goals prioritized within the PEAP address Uganda's priority development needs? If they don't, what do you believe should be Uganda's priorities?

Civil Society

- Much agreement that the PEAP addresses Uganda's priority development needs
- Concern about income inequality
- Agriculture, including markets
- Increased security and improved governance
- Greater attention to private sector needs and incentives
- Broader commitment to poverty reduction and job creation
- Need monitoring independent from implementation

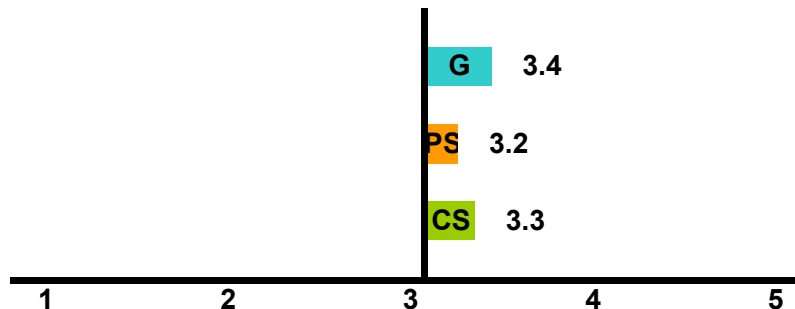
Private Sector

- Training in practical skills
- Analysis of consumer consumption patterns to help bridge gap between rich and poor
- Tax incentives for the private sector

Government

- Much agreement that the PEAP addresses Uganda's priority development needs
- Focus on rural development and agriculture, including markets, credit, technology, and agro-industries
- Good governance and security, especially in Great Lakes region

3. The *Uganda Medium Term Expenditure Framework (MTEF)*, a three-year framework for allocating budget to government entities, effectively addresses the priorities set out in the PEAP.



4. If, in your view, the MTEF is not the right mechanism for effectively addressing the priorities set out in the PEAP, what is the best alternative mechanism?

Civil Society

- MTEF effective but has been poorly implemented, including inadequate allocation of resources to agriculture and priority areas
- Priorities need to be generated from the bottom-up; civil society asked to participate in discussions about priorities, but with too little notice to prepare
- Too much private sector emphasis
- Need more time to evaluate MTEF

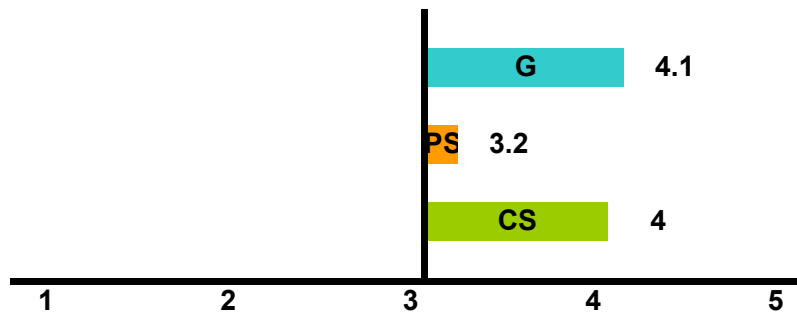
Private Sector

- Need for a National Planning Authority (NPA) composed of non-government stakeholders

Government

- Ensure that bulk of resources reach intended beneficiaries
- Improve budget cycle and process
- Channel development priorities through the private sector
- Need more time to test the MTEF

5. External partners have aligned their assistance strategies with the MTEF.



Country Ownership

1. In your view, should other branches of government be strongly involved in formulating the development agenda?

Civil Society

- Parliament, as representatives and voices of the people
- Local authorities, at district level, so they can influence national development goals
- Civil society organizations
- Local communities and traditional leaders
- Private sector and related organizations (UMA, UCC, UIA)
- Security agencies (to increase their understanding of development efforts)
- Judiciary

Private Sector

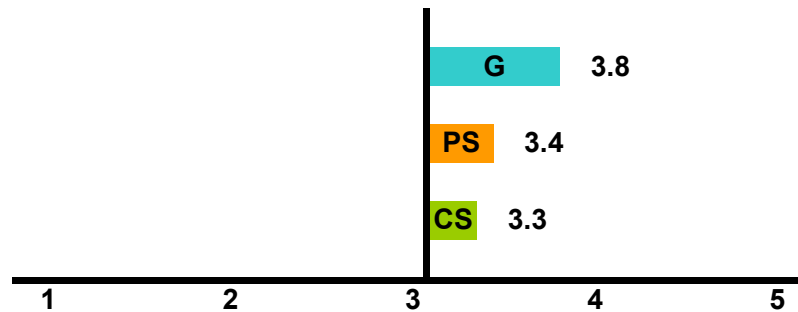
- Parliament, as representatives of the people, can articulate issues effectively and efficiently

- Judiciary in order to arbitrate among aggrieved parties
- Private sector
- Civil societies and sectoral associations

Government

- Parliament, as representatives of the people, with involvement of the opposition, and alongside civil society
- Executive Branch of Government, including MOFPED
- Local government, this is the level for implementation and service delivery

2. The processes of formulation and implementation of the *PEAP* have resulted in broadened participation by domestic non-government stakeholders in Uganda.



3. The role of Ugandan advisers and policymakers has become more important than the role of external advisers/assistance in formulating the *PEAP*, *MTEF*, and other related policy documents over the last five years.



4. In your view, is there room for external agencies to do more to foster greater country ownership? If so, in what ways can they contribute?

Civil Society

- Listen to local entities, including CSOs and the people; strengthen to be independent and not co-opted by government.
- Capacity-building, especially via mentoring and sharing expertise.
- Promote transparency and accountability – by example and own behavior
- Focus on poverty areas

Private Sector

- Extend consultative process to beneficiaries through their organizations
- Enable populace to decide on issues affecting them

- Promote local investors and partnerships with external investors

Government

- Work with and listen to local entities and the poor
- Harmonize procedures with GOU procedures, including using Ugandan consultants and stopping stand-alone projects
- Support capacity development for policy analysis, implementation, and entrepreneurial development
- Assist improvement of market information
- Support a representative NPA (National Planning Authority)

5. In your view, are there stakeholders that dominate and/or monopolize the national strategy formulation process? If so, which stakeholders take up this position?

Civil Society

- Executive Branch, especially MOFPED, supported by IMF and World Bank
- IMF and World Bank, and private sector
- Line Ministries
- CSOs and government in the social sectors

Private Sector

- Government and external agencies, which leaves others out
- World Bank and IMF
- Private sector (including Banks)
- NGOs

Government

- Executive Branch, especially MOFPED
- Donors monopolize the national strategy, especially the World Bank
- The process is inclusive, with clear roles for all major stakeholders
- Politicians (Parliament)

6. In your view, should these stakeholders or certain other stakeholders take a lead role in the formulation of national strategies or should all stakeholders participate on an equal footing?

Civil Society

- Equal footing, but recognizing the need for strengthening of capacity, especially at local levels, and with a less dominant center
- Each sector, as need arises

Private Sector

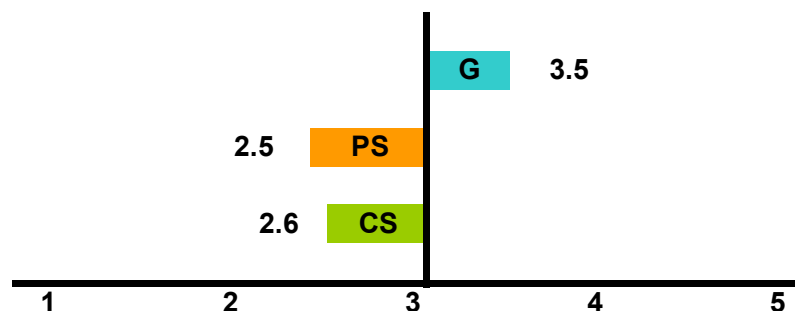
- Equal footing, with lead partners to provide guidance

Government

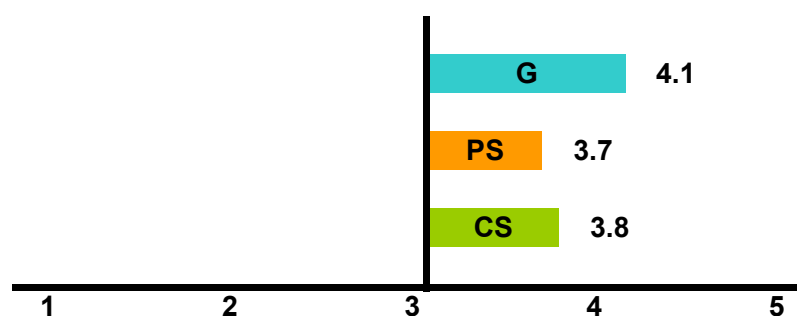
- Equal footing, for representation, but with government and external partners facilitating (and MOFPED providing lead)
- Sector leadership by key stakeholder in the sector
- Executive Branch experts
- NPA should be implemented, as a means for other stakeholders to increase their role
- Greater involvement of civil society (*only one person*)

Country-led Partnership

1. The institutional capacity of the government is strong enough to lead aid coordination.



2. Consultative Group (CG) meetings for Uganda have been held in-country for the last few years. This has resulted in increased participation by domestic stakeholders in shaping the development priorities.



3. If you agree [that in-country CGs have changed things], how have priorities changed?

Civil Society

- Development priorities agreed upon, inclusion of broader views and more participation, including civil society
- Increased emphasis on social sector spending
- Forced increased accountability and transparency by government
- Made Parliament more visible and emphasized its importance
- Post-CG mechanisms are completely weak
- Fruits are yet to be seen and government needs to listen more

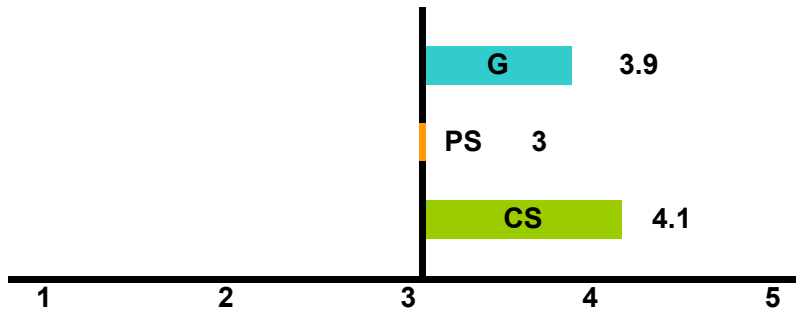
Private Sector

- Education given more priority, but agriculture still a concern

Government

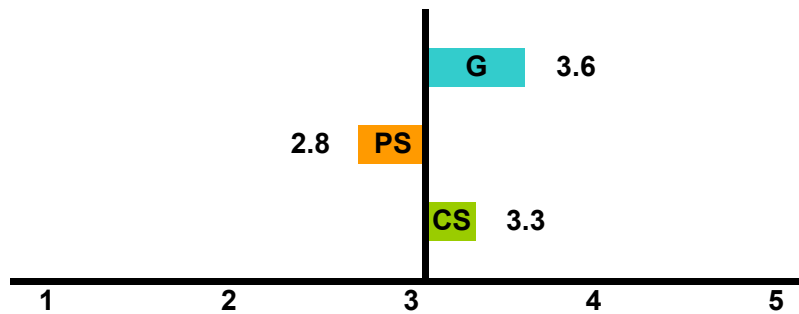
- More balance in priorities; e.g. more emphasis on poverty and rural poor
- Private sector and other stakeholder pressure to incorporate their concerns
- Little change in priorities

4. Over the last five years, donor procedures (e.g. budget and disbursement cycles, procurement, reporting, evaluation, safeguards) have been better harmonized.

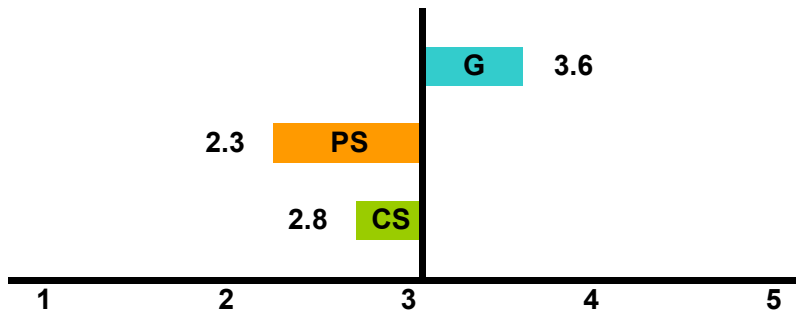


Results Orientation

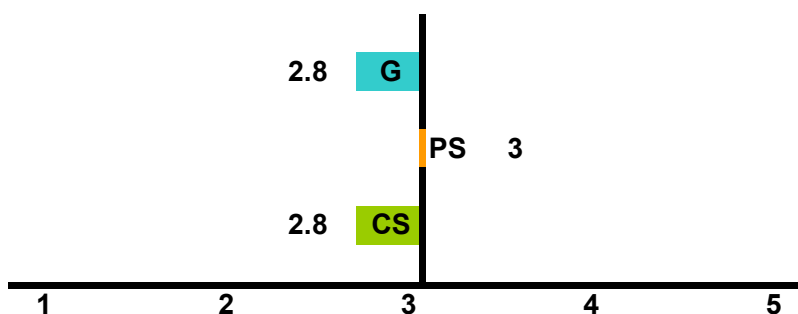
1. Uganda has increased its capacity to collect, analyze, and disseminate results-oriented performance information through monitoring and evaluation systems.



2. Results information is effectively fed-back into decisionmaking, including resource allocation.

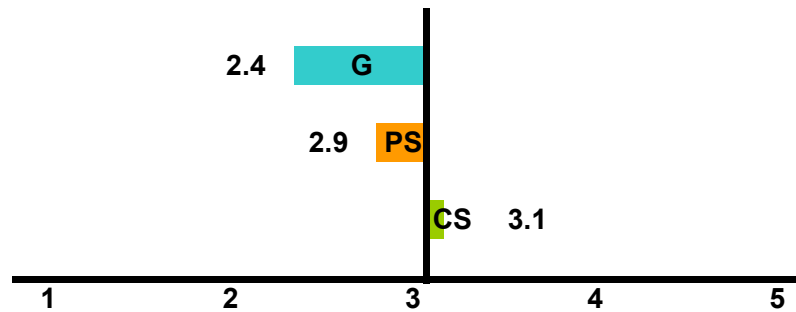


3. Non-government domestic stakeholders have significantly benefited from evaluation capacity development and other aspects of increased results orientation.

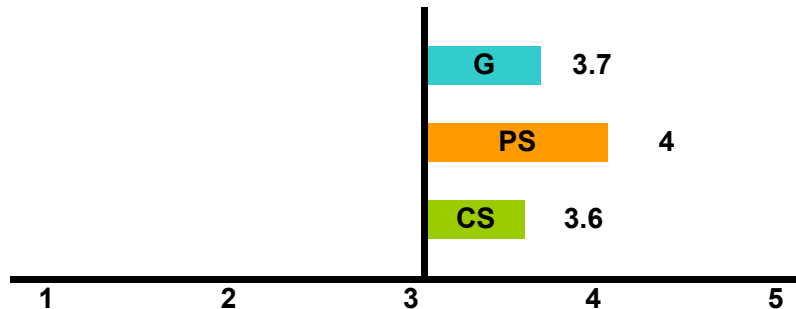


Higher Level Impact

1. Implementation of the principles of ownership and partnership could be in conflict with each other.



2. Implementation of the four development cooperation principles has resulted in progress toward one or more globally agreed development goals.



3. If you agree with the previous question, please identify the development goal(s) impacted by the four development cooperation principles.

Civil Society

- Progress toward universal primary education (UPE)
- Greater role for civil society and community-led partnership
- Progress toward halving poverty by 2015
- Plan for reforming agriculture
- Some respect for human rights
- Somewhat free elections
- More limited role for army
- Emergence of entrepreneurial society
- Privatization of state corporations and banking reforms

Government

- Improved access to social services, especially education
- Poverty reduction – increased quality of life

- Decentralization
- Improved water and sanitation
- Sustainable development goals
- Good governance – accountability
- Self reliance requires reduced influence from donors and grants

Annex G. Documents Reviewed

- Bitarebeho, J. 2001. "Experience on the Implementation of Poverty Action Fund (PAF) Programme in Bushenyi District," paper presented at the *PAF Annual Review Meeting*, Kampala, 12 November 2001.
- CDF Evaluation Secretariat. 2001. *Design Paper for a Multi-Partner Evaluation of the Comprehensive Development Framework*. World Bank, Washington, DC, September 2001.
- Collier and Reinikka. 2001. "Reconstruction and Liberalization: An Overview." *Uganda's Recovery*, Edited by Ritva Reinikka and Paul Collier, World Bank, Washington, D.C.
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- Fölscher, Alta. 2001. *The Allocative Budget Process and the Work of the Sector Working Groups* Report prepared for the Ministry of Finance, Planning and Economic Development (with DFID support). African Helm, Cape Town, South Africa.
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- Holmgren, T., L. Kasekenda, M. Atnig-Ego, and D. Ddamulira. 1999. *Aid and Reform in Uganda: Country Case Study*, World Bank. Washington, D.C.
- Kalembe, M. 2001. "Wakiso District Experience on the Implementation of the PAF Conditional Grants," paper presented at the *PAF Annual Review Meeting*, Kampala, 12 November 2001.
- Kamuli Poverty Monitoring Committee. 2001. *Kamuli PMC Monitors the Implementation of PAF: Report on Findings from 9 Subcounties and Kamuli Town Council in Kamuli District, Uganda*.
- Muduuli, M.C. 2001. "The Role of National Ownership For Successful PRSPs – Uganda's Experience": paper presented at the *Working With Poverty Strategically*. Workshop, Stockholm, 22-24 October 2001.
- _____. 2001b. "Poverty Action Fund: Implementation Issues and The Way Forward," paper presented at the *PAF Annual Review Meeting*, Kampala, 12 November 2001.
- Oboth, S. 2001. "The Implementation of PAF Conditional Grants: Tororo District Experience," paper presented at the *PAF Annual Review Meeting*, Kampala, 12 November 2001.
- Tumusiime-Mutebile, Emmanuel. 1999. *Making Partnerships Work on the Ground: Experience in Uganda*. Paper presented at the *Working With Poverty Strategically*. Workshop, Stockholm, 22-24 October 2001.
- United Nations. 2001. "Roadmap" of Millennium Summit Goals. *The Secretary-General's Report: Signposts on the Road Ahead*. September 2001. UN Report, PI/1380. New York.
- World Bank. 2001. *Uganda 2001 Public Expenditure Review*. Washington, D.C.

Annex H. Persons and Organizations Met and Interviewed.**GOVERNMENT**

Name	Title	Organization
Emmanuel Tumusiime Mutebille	Governor	Bank of Uganda
E.S.K. Muwanga-Zake	Acting Director, Trade and External Debt Department	Bank of Uganda
Rhoda Tumusiime	Commissioner Planning	Ministry of Agriculture, Agricultural Industries, and Forestry (MAAIF)
Silim M. Nahdy	Executive Director	National Agricultural Advisory Service
Willie Odwongo	Executive Director	Plan for Modernization of Agriculture Secretariat (PMA)
Tom Kakuba	Programme Officer – Monitoring and Evaluation	PMA Secretariat
Tom Mugisa		Same
Aggrey David Kibenge	Senior Assistant Secretary & Public Relations Officer	Ministry of Education & Sports
Godfrey Arnold Dhatemwa	Asst. Commissioner (Planning & Budgeting)	Same
Sam Onek	Acting Director of Education	Same
Mary C. Muduuli	Acting Deputy Permanent Secretary	Ministry of Finance, Planning, and Economic Development
Florence Kuteesa	Director, Budget Directorate	Same
Patrick Ocailap	Commissioner/Aid Liaison Dept.	Same
Francis Tumuheirwe	Commissioner/Macro Economic Policy Department	Same
L. K. Tisasirana	Assistant Commissioner/Macro Economic Policy Department	Same
Kenneth Mugambe	Acting Commissioner, Economic Development Policy & Research	Same
Margaret Kakande	Poverty Analyst – Poverty Monitoring & Analysis Unit	Same
Peter Ngategeize	PMA Coordinator	Same
Fiona Davies	Sr. Economist, Macro Department	Same
Kakima Ntambi	Permanent Secretary	Ministry of Gender, Labour & Social Development
Cathy Gaynor	Social Development Consultant	Same
Dr. Francis G. Omaswa	Director General, Health Services	Ministry of Health
Dr. Kadama	Budget Department	Same
Martin Onyach Olaa	Coordinator, Program Management	Ministry of Local Government
Deborah Katuramu	Director/Administrative Reform	Ministry of Public Service
Rose Kafero	Commissioner for Inspection, Results-Oriented Management	Same
MT Wenene	Asst Commissioner, Admin. Reform	Same
Prisca Sezi	Director, Human Resources Mgt.	Same
B.K. Kabanda	Permanent Secretary	Ministry of Water, Land & Environment
Edith Kateme-Kasajja	Acting Commissioner, Planning and Quality Assurance Department	Same
Patrick Kahangire	Director, Water Development	Same
Aaron Kabirizi	Principal Engineer – Development	Same

John Male-Mukasa
Amos Lugolobi

Executive Director
Manager

Uganda Bureau of Statistics
Uganda Investment Authority

MEMBERS OF PARLIAMENT

Name	Title/Position/Constituency
Yiga Anthony	Member, Sessional Committee on Public Service and Local Government
Byerkua Beatric	Chairperson, Public Service & Local Gov't. Committee
Dr. R.H. Bulamu	MP, Luka County
Hyuha Dorothy	Chairperson – Social Services Comité
Ephraim Kamuntu	C/M Committee on Finance & Planning
Sylvia Keeya	Program Management
Beatrice Birungi Kiraso	Chairperson Budget Committee
Alhaj Kadunabbi Ibrahim Lubega	Vice Chair – Finance (MP for Butambala County)
Kamwhangi M.	MP, Local Gov't and Public Service
Aloysius Makata	Director, Library Research and Information Services
Orech D. Martin	V/C, Sessional Committee on Public Service And Local Gov't.
Winifred K. Masiko	Social Service Committee (MP for Rukungiri District)
Issac Musumba	Minister of State for Finance
Kitya Mutgbi	Agriculture Committee
Dr. Johnson Nkushi	
Prof. M.W. Ogena-Latigs	MP, Agago county
Dr. Elioda Tumwesigye	V/Chair Social Services Committee
M.T. Wengue	Public Service, Assistant Commissioner

DONORS

Name	Title	Organization
Grace Kyokunda	Programme Officer	African Development Bank
Konstantin Huber	Regional Representative	Austrian Dev't. Cooperation
Thomas Djurhuus	Counsellor	Danish Embassy (DANIDA)
Hanne Carus	Agricultural Officer	Danish Embassy (DANIDA)
Michael Ward	Deputy Head	DFID (UK)
Paul Mullard	Economic Adviser	DFID (UK)
Rosalind Cooper	Health Specialist	DFID (UK)
Alain Joaris	Economic Counsellor	European Union
Karin Stoll	Deputy Head of Mission	Federal Republic of Germany Embassy
Walter Mahler	Resident Representative	IMF
Nicola Brennan	Programme Officer	Ireland Aid
Rosemary R. Rwanyange	Education Advisor	Ireland Aid
Mairtin O' Fainin	Charge d'Affaires	Irish Embassy
Hajime Iwama	Second Secretary	Japanese Embassy
Harman Idema	Head of Operational Management/ Regional Controller	Netherlands Embassy
Eric Hilberink	Deputy Head of Mission	Netherlands Embassy
Toro Gjør	Ambassador	Norwegian Embassy
Morten Heide	First Secretary/Senior Economist	Norwegian Embassy

Harald Karlsnes	Counsellor	Norwegian Embassy
Ngila Mwase	Economic Advisor	UNDP
Anne Fleuret	Performance Monitoring Specialist	USAID
Karen L. Freeman	Chief, Program & Project Dev't.	USAID
Jerre Manarolla	Mission Economist	USAID
Robert Blake	Country Program Manager	World Bank
Norbert Mugwagwa	Country Operations Manager	World Bank
Sudharshan Canagarajah	Senior Country Economist	World Bank
John J. Oloya	Rural Development Specialist	World Bank
Harriet Nannyonjo	Education Specialist	World Bank
Peter Okwero	Health Specialist	World Bank

CIVIL SOCIETY

Name	Title	Organization
Philippa Crosland-Taylor	Economic Development Manager	CARE International Uganda
Susan Kajura	Education Programme Coordinator	Forum for Education NGOs in Uganda
Minaz Karmali	Chairman, National Committee	Aga Khan Foundation
Julius Kyaligonza	Assistant Agricultural Advisory Manager	Uganda National Farmers Association
Christine Nantongo	Communications Manager	Uganda Debt Network
Warren Nyamugasira	Executive Director	Uganda NGO Forum
Pherry Kabanda	Programme Officer	Uganda NGO Forum
Peter Otimodoch	Project Manager Executive Director	Uganda Oil Seed Producers & Processors' Association
Everse Ruhindi	Programme Officer, Information and Communication	Uganda Gender Resource Center
Godher Tumushabe	Executive Director	Advocates Coalition for Dev't. & Environment
Meenu Vadera	Country Director	Action Aid
Dereje Wordofa	Programme Representative	OXFAM

RESEARCH INSTITUTION

Name	Title	Organization
John Okidi	Director	Economic Policy Research Centre
Godfrey Bahiigwa	Senior Research Fellow	Economic Policy Research Centre
Peter Mijumbi	Visiting Senior Research Fellow	Economic Policy Research Centre
Marios Obwona	Senior Research Fellow	Economic Policy Research Centre

PRIVATE SECTOR

Name	Title	Organization
Cecilia Ciepiela	Technical Director	CARANA Corporation
Andrew Kaelin	Managing Director	Agribusiness International Services L.L.C.
William Kalema	Chairman	Uganda Manufacturers Association

Richard Karugaba		Bridge Development Consultants (U) Ltd.
Boney M. Katatumba	Chairman	G.77 Chamber of Commerce & Industry of Developing Countries
A.K. Kiranda	Secretary for Administration Department	Uganda National Chamber of Commerce and Industry
Nyombi M. Mark	Managing Director	Avis Company Ltd.
Robert Lutalo Bbosa	Company Accountant	Same
Vincent K. Musubire	Senior Partner	Musubires Leap 2000 Ltd.
Sanjiv Patel		Universal Galaxy Insurance Brokers Ltd.
Navin Popat	Managing Director	Unilever Uganda Limited
Kristin Ronald		KIWA Industries

DISTRICT & SUB-COUNTY

Jinja District Government

<i>Name</i>	<i>Title</i>
Sam Gube	Counsellor, Chairperson Finance Committee
E.Luzero	Acting C.D.O
A Were	Acting D.E.O
Gwaira Wekiya	Internal Auditor
K.Kiyengo	F/Urban Officer
George Hamya	For DLO
Mukuwa Muwaya	S.O.W
Alice Kafuko	Education Inspectorate
James Bamwete	District Economist
Sarah Nampala	Deputy Speaker
I K Ziwedde	P/O, Secretary D.S.C
P L Opige	P.C.O Jinja
Alex Ddibya	Senior Labour Officer
Charles Makaya	Asst O/C Housing
Kyawara Lubega	Personnel Officer
Stellah Tumwebaze	Senior Literacy Training Officer, Literacy and Adult Basic Education NGO
Jackson Mushabe	Finance
Joseph Muguwa	Entomology
James Waiswa	Prisons
Dr A K Sentamu	Veterinary
Solome Musana	Secretary – Education and Social Services

Mafubira Sub-County, Jinja District

Name	Title
Wambede Amu	Sec. Gender
Mukembo Andrew	Investment Member
Richard Blyainyho	Chairman LC III/LC IV
Mukanza Estella	Counsellor
Catawera Harriet	
Jalia Kitto	Sub/County Speaker
Nakabuye Lidia	Sec. Youth
Eric Mukasa	
Kilsedi Musa	Veterinary Officer
Namuloudo Sarah	Fishers Office
Cadama Saran	Sec/Education/Heath
Bukajja Stephen	Counsellor

Kamuli District – KANENGO, Local NGO Umbrella Group

Name	Title	Organization
Nabiryo Namwase Aetnde		KANENGO
Emmanuel Babalanda		CBO
Sr. Athanasius Bazzekuketta		LSOSF
Toolik Clovis		PAF/PMC
Kiyubas David		KASA
Awula Edith		KREDA
Waiswa Edward		KOWIDA
Ndenay Florence		PAF/PMC
Ndirugendawa Fred		PARALEGAL
Nakangu Idah		NACWOLA
Bitamukatono James		FAF MC
Namayo Joseph		PAF MC
Isooke Jumui		USSIA
Sr. Cecilia Kagaya		LSOSF
Walubiri B. Martin		KAMDIPU
Kweyalanga Moses	Coordinator	
Tezigwa Abub Ngabi		
Balijja Paul		PAF/PMC
Isabirye Samuel		KREDA
Katewgre Samuel		KAASFA
Kyemba Stephen		GWASE
Musira Tom	Secretary/Doc. Asst.	

Kamuli District Government

Name	Title
Saeed A. Baghoth	District Water Officer
Mugulusi Daniel	ACAO-for CAO
Magada W. David	Labour Officer
Byansi Eriasafu	ALDO
Wankya Tom Francis	D/Statistician

Kaima Godfrey	DPO/Planning
Kasadha Grace	Accountant
Opaka Michael	Co. Dev. Officer
Kateza Monica	Environment Officer
Balijja Paul	C/man PAD MC
Wmbale Paul	DCO
Musenero Richard	DFO
Dr. David Tigawalang	DDHS

Pallisa District – Government and Civil Society

Name	Title
Giles Kahika	Chief Administrative Officer
Leban Kirya	District Chairperson/Movement Chairperson
James Shame	Secretary, Finance and Planning
Paulo Kigaye	Speaker – Pallisa District Council
Edith Kitaka	Deputy Speaker
Abner Mujuri	Secretary, Technical Services
Alex Owor	RDC's Office
Mike Talekera	Counsellor (LC V) Kadama
Enna Okia	Pallisa Community Development Trust (PACODET)
Isacc Omoit	Zion Development Organization
Helen Anyati	Liaison Officer (National Association of Professional Environmentalists)
Badru Kirya	Pallisa District NGO Forum / Pupa
Martin Takho	Islamic Umah Foundation (IUF) Chairperson
Ivan Godfrey Okirya	Uganda Change Association (UCAA) Chairperson
Oumo Okodi	Pallisa Community With A Vision To Development Association
Philip Tibina	Budaka Dairy Farmers Cooperative Society
Jairus Omoding	Rejected Stone Ministry
John Krijostom Okoboi	Kapuwai Welfare Programme
Robert Kennedy Oonuu	Youth Agule Group