



**Government of the Republic of Uganda  
Office of the Prime Minister**

## **Phase II Evaluation of the Implementation of the Paris Declaration in Uganda**



**FINAL REPORT**

**EXECUTIVE SUMMARY**

18<sup>th</sup> February 2011



### **Evaluation Team**

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## **ACRONYMS**

AAA	Accra Agenda for Action
ADB	Asian Development Bank
AfDB	African Development Bank
APIR	Annual Programme Implementation Review
BADEA	Arab Bank for Economic Development in Africa
CHOGM	Commonwealth Heads of Government Meeting
DAC	Development Assistance Committee
DP	Development Partner
DRC	Democratic Republic of Congo
DWD	Directorate of Water Development
EAC	East African Community
ESIP	Education Sector Investment Plan
EU	European Union
FGD	Focus Group Discussion
FY	Fiscal Year
GDP	Gross Domestic Product
GOU	Government of Uganda
HDI	Human Development Index
HIV/AIDS	Human Immuno-Deficiency Virus/ Acquired Immune Deficiency Syndrome
HPIC	Highly Indebted Poor Countries
HSSP	Health Sector Strategic Plan
IDA	International Development Association
IRG	International Reference Group
JAF	Joint Assessment Framework
JBSF	Joint Budget Support Framework
KII	Key Informant Interviews
LG	Local Government
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MDA	Ministries, Departments and Agencies
MDGs	Millennium Development Goal
MoFPED	Ministry of Finance, Planning and Economic Development
MTEF	Medium Term Expenditure Framework
NAADS	National Agriculture Advisory Services
NDP	National Development Plan
NGO	Non Governmental Organisation
NIMES	National Integrated Monitoring and Evaluation System
NMEWG	National Monitoring and Evaluation Working Group
NPA	National Planning Authority
NRG	National Reference Group

OAG	Office of the Auditor General
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OPM	Office of the Prime Minister
PAC	Public Accounts Committee
PD	Paris Declaration
PEAP	Poverty Eradication Action Plan
PFM	Public Financial Management
PMA	Plan for Modernisation of Agriculture
PRSP	Poverty Reduction Strategy Paper
SSA	South Saharan Africa
SWAp	Sector Wide Approach
UBOS	Uganda Bureau of Statistics
UDHS	Uganda Demographic Household Survey
UGX	Uganda Shilling
UJAS	Uganda Joint Assistance Strategy
UNDP	United National Development Programme
UNHS	Uganda National Household Survey
UPE	Universal Primary Education
USA	United States of America
USD	United States Dollar
USE	Universal Secondary Education

## Executive Summary

### Introduction

Uganda has a population of 31.8 million people with a nominal per capita gross domestic product (GDP) of USD 500 per person (2009). About 31% of the population is below the national poverty line, one of the lowest in the East African Community. Growth in GDP has been above 6% per annum for the past eight years. The Gini coefficient has declined from 0.43% in 2002/3 to 0.408 by 2005/6. Total aid disbursed to Uganda over the period 2000/01 - 2008/09 fluctuated (USD 1,120 million in 2003/04; USD734 million in 2005/2006; USD 1,277 million in 2006/7; and USD512 million in 2007/08).

Budget support dominates Uganda's aid architecture, accounting for an average of 42 % of total aid flows over the period 2000/01 - 2008/9, followed by investment project assistance (29%) and project technical assistance (13%). There are more than 30 development partners (DPs) present in Uganda. The top three DPs together accounted for over 75 percent of disbursement in 2008/9. As of 2010, the largest donors were The World Bank, the European Commission, the United Kingdom, Denmark and African Development Bank (AfDB) while Ireland, Germany, United Nations, Sweden and Norway were medium scale, the rest were smaller.

The Phase 2 Evaluation of the Paris Declaration in Uganda was carried out as part of a global evaluation spearheaded by the OECD DAC Working Party on Aid Effectiveness covering 32 countries. It evaluated implementation progress as well as results of the PD and the Accra Agenda for Action (AAA). The Paris Declaration on Aid Effectiveness was endorsed by 57 developing countries and 22 DPs on 2 March 2005.

The **overall objective** of the Phase 2 Evaluation was to **document, analyse and assess the relevance and effectiveness of the Paris Declaration in the country and its contribution to aid effectiveness and ultimately to development results, including poverty reduction**. The Uganda Case Study was also expected to inform Cabinet debate how aid could finance the new National Development Plan (2010/11-2014/15). It relied on evidence from extensive literature review and key informant interviews.

### Overall Conclusions on Common Evaluation Questions

“What are the important factors (enablers and the inhibitors) that have affected the relevance and implementation of the Paris Declaration and its potential effects on aid effectiveness and development results (the Paris Declaration in context)?” (Core Question 1)

The PD principles were needed in Uganda to improve the effectiveness of aid in achieving more equitable income growth and poverty reduction. Uganda's growth path created opportunities that were skewed in favour of urban areas of the centre and the west, leaving behind rural areas and northern and eastern Uganda where poverty is now concentrated.

More prudent macro-economic management, two decades of private sector-oriented structural reforms and emphasis on decentralisation created the space for government, donors, civil society and the private sector to adopt new ways of working together promulgated by the PD.

The Poverty Eradication Action Plan Partnership Principles, the early SWAPs which pre-date the PD (e.g., in health and education sectors), the UJAS developed in 2005 to strengthen ownership, and strategies for division of labour worked out by donors in consultation with the government created a fertile ground for implementation of the PD by creating the necessary institutional arrangements for donor-to-donor and donor-to-government coordination. The DoL exercise managed to rationalise DP sector presence in line with their comparative advantage. However, the DoL suffered from lack of strong government leadership. SWAPs, on the other hand, led to more systematic dialogue between donors and the government, strengthened state party leadership and improved aid coordination.

However, rigid perceived sector mandates, interests and comparative advantage of some DPs have kept them in some congested sectors like health and education leaving behind environment and agriculture underfunded. Performance assessment frameworks (PAFs) introduced as part of the General Budget Support have produced good results by tracking government processes and linking resources to policy objectives, but greater scope remains for improving the indicators for some sectors (e.g., Agriculture) and the quality of information used to monitor the progress.

The lack of consensus among development partners on the ideal mode of funding remains one of the most stumbling blocks to harmonisation efforts. Some DPs are fully convinced that the use of GBS should be strengthened (DFID, Netherlands, Ireland, Nordic countries), whilst others (e.g., USAID, Japan, etc) are not convinced and their aid policies prohibit the use government systems until they are sufficiently “safe” to use. Long contractual commitments between donors and government have been instrumental to stability in ODA contributions to the budget despite some volatility in total aid flows to Uganda. Government’s clear message on its preference for GBS as the ideal funding modality has been effective in securing stability of support through this instrument. Adoption of GBS as a preferred instrument has also helped to improve budget monitoring and coordination of government programmes in general.

The emergence of non-traditional sources of finance (e.g., China, India and Korea) and the proliferation of vertical funds for global and regional initiatives that support health and agriculture led by multi-lateral donors and large private foundations (e.g., the Gates Foundation) have both offered new funding opportunities but at the same time run the risk of undermining the core SWAP principles of harmonisation, coordination and an integrated sector policy framework.

“To what extent and how has the implementation of the Paris Declaration led to an improvement in the efficiency of aid delivery, the management and use of aid and better partnerships (process and intermediate outcomes)?” (Core Question 2)

Uganda started operating in a manner consistent with PD principles in the late 1990s before the PD principles were signed. Improvements in the quality of partnerships, management and use of aid and efficiency of aid delivery in general started before the PD and acted more as a catalyst for application of PD principles post 2005, which by and large resembled Uganda’s PEAP Partnership Principles. It is evident that there has been a strengthening of the

ownership of Uganda's national development framework as exemplified by the strong leadership by Uganda and the inclusiveness of the process of formulating the new National Development Plan.

Alignment of development assistance to national priorities appears to have been severely compromised by the poor articulation of priorities in the PEAP and the new National Development Plan. Both documents have been viewed as being too broad but some in government contended that the pillars of the PEAP and the policy actions to be achieved under each pillar, offered an adequate framework for targeting aid hence the early success of SWAps in Uganda. Alignment has been achieved mainly by strengthening the use of the general and sector budget support instruments, leading to an increase in the number of donors using the instruments as well as the funding flows.

The coming into effect of the PD strengthened Government of Uganda's voice to donors over issues of alignment and harmonisation. Monitoring of project funding managed outside government systems also improved. Project funding remains the mainstay of many large donors, and the extent to which these projects are aligned and harmonised with Uganda's national development framework and preferred operational approaches depends on the level of involvement by the government in management of project aid, which in most cases is not strong in Uganda.

Though results management has improved partly as a result of lessons learnt from past experience in this regard, the progress made in recent times demonstrates a partial contribution of the PD. However, it appears, beyond the sectors that have SWAps, PD has not had any noticeable impact on quality of aid partnerships and efficiency of aid delivery.

The aid effectiveness provisions in the National Development Plan, the Partnership Policy, the Memorandum of Understanding supplementing the Partnership Policy, and the institutional framework of the Local Development Partners Group, are likely to be effective in building more inclusive and effective partnerships for development in the future.

Transaction costs remain high and these are associated with demands DPs are continuing to place on Government in terms of time, reporting needs, and use of the resources through numerous missions and meetings. Although coordination of missions has improved the absolute number of missions that are uncoordinated remains large.

Aid flows remain highly unpredictable until some of the bilateral donors shift from annual to multi-year commitments though disbursements could still remain annualised. Efforts to monitor development impact and account for the results have been strong before PD but have been stronger during period of implementation of the PD. However, there remains the challenge of weak monitoring of the quality of inputs and of implementation of aid financed initiatives, which is hindering aid effectiveness.

“Has the implementation of the Paris Declaration strengthened the contribution of aid to sustainable development results (development outcomes)? How?” (Core Question 3)

Knowledge and application of the PD principles varies widely across sectors. Results in terms of development outcomes are also mixed across sectors, with health showing either a stagnation of some of the development outcomes or a decline in some indicators.

Coordination of a large number of CSOs implementing fragmented projects continues to be a challenge, and perhaps militating against positive impact. Decentralisation of health service delivery to districts has not been matched with improvement in staffing capacity at that level, which remained at an average of 56% and as low as 30% in the worst districts<sup>1</sup>. In the water sector, PD compliant aid funding instruments introduced prior to the PD were sustained post-2005. The conclusion reached in this sector is that aid effectiveness principles in general (and not the PD specifically) may have been instrumental to the substantial improvement in outcome indicators.

The contribution of the PD in strengthening aid effectiveness instruments such as the Water Sector Working Group that pre-date the PD and have been working well in the sector is clearly evident with greater division of labour, greater transparency in procurement at central government level through the properly constituted contracts committees that are largely independent of political patronage and report to the Public Procurement and Disposal of Assets Authority and with improved results monitoring.

In agriculture, no tangible impacts in relation to aid effectiveness principles in general or the PD, in particular can be observed. The sector has been characterised by development of too many new national strategies and programmes with little implementation. Both annual sector growth and the share of agriculture in total GDP have declined during the PD period. Absence of a SWAp for agriculture has hindered effective donor coordination and alignment. Knowledge of the PD principles among staff working in the sector has been scant.

There is no convincing evidence to conclude that the PD has necessarily influenced priority setting in favour of the needs of the poorest, who include women and girls and those socially excluded. PD implementation has sustained pre-PD initiatives for strengthening national service delivery capacity at all levels (central government, local government and civil society levels). This includes the capacity of ordinary poor men and women citizens to defend their rights through political decision-making processes, access to basic services and opportunities to earn meaningful income and realise their ambitions.

Capacities to undertake value for money audits on government programmes and to investigate financial mismanagement have also been strengthened though challenges remain in effectively applying these new capacities because of undue political influence over these processes.

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<sup>1</sup> Annual Health Sector Performance Report, Financial Year 2008/2009

## **Main Lessons and Recommendations on Common and Specific Questions**

To add value, the PD commitments require fertile ground or enablers, such as enabling political governance (including respect for human rights), prudent macro-economic management, decentralisation, strong sector leadership by Government, including the presence of a Sector Wide Approach.

Genuine ownership requires political leverage and space as well as a legal-institutional framework that ensures that citizens – including the poor and the most marginalised women and men – are able to engage in decision-making processes and hold their governments accountable. These frameworks need to be established and promoted.

To improve the predictability of aid, all development partners have to boldly shift to multi-year commitments governed by medium (5 years) to long-term (10 years) development partnership arrangements. This mostly applies to bilateral donors such as the USA and Japan who are constrained by their aid policies.

The use of aid conditionality to influence specific policy choices on the recipient country may erode the commitment of partner countries to the use of aid modalities that promote more effective use of aid (such as General Budget Support), thus reversing gains made in the implementation of the Paris Declaration principles. An appropriate set of good practice principles on aid conditionality should thus be developed and widely promoted for adoption by development partners, including non-traditional donors.

Parliament should play a more active role as clearing house for any new aid but this institution needs to be appraised of the PD principles and the need to ensure that any new forms of aid do not undermine current aid relationships.

Year-round aid effectiveness activities should be imbedded into the work of the lead institutions driving the aid effectiveness agenda at country level and should be cascaded to sectors to promote awareness.

A framework to guide the entry into new partnerships with non-traditional donors should also be put in place that ensures such partnerships do not take precedence over existing partnerships. Prototypes of well functioning frameworks should be developed and their use promoted.

Globally, the discourse on aid effectiveness should now shift to helping developing countries institutionalise good practices in strategies to improve aid effectiveness, based on evidence of what works and what doesn't, generated from implementing the PD. Special focus should be on making aid achieve development outcomes and impacts and best practice in evaluating such impacts should be further developed, refined and well documented.

Development partners, especially some bilateral donors, should reform their aid policies in order to improve aid predictability. Good governance is the pillar of aid effectiveness. Efforts to increase the capacity and voice of all development actors, including non-state actors, to take an active role in dialogue on development policy and governance issues should be prioritised by DPs and the recipient government.