

# ***Aid Rationalization and Complementarity Lessons from Uganda***

Presented by:

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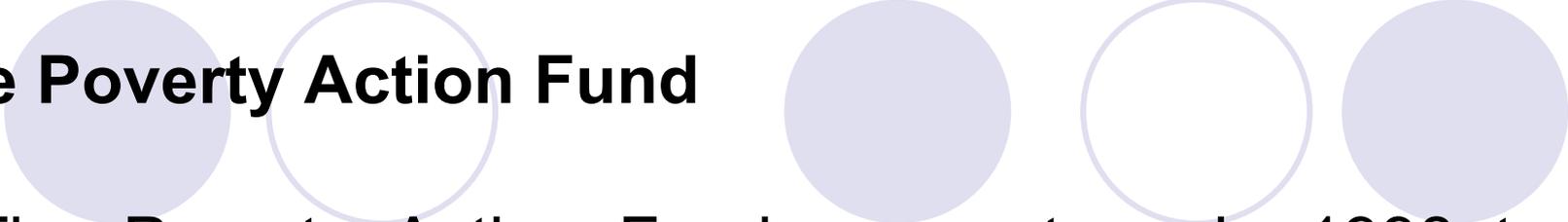
## History of Aid Effectiveness Debates?

- Uganda is one of the few countries who first developed a Poverty Eradication Action Plan both as a national development planning framework but also an aid harmonization instrument.
- In Uganda, the focus on effective aid delivery is traced back to a very specific political process that forced the Government to focus on poverty eradication.
- The focus on poverty eradication eventually evolved to become the national goal of the Government and since 1996

# The Development of PEAP 1997

- In 1997 the taskforce produced the first PEAP and identified a number of priority programme areas which included;
  - Primary health care
  - Rural feeder roads
  - Primary Education
  - Provision of Safe Water
  - Modernization of Agriculture
- This PEAP process in Uganda has been praised as homegrown by donors. It set long-term goal of reducing the incidence of income poverty in Uganda to less than 10% by 2017
- Four broad goals (known as pillars) for poverty eradication in Uganda were developed. At GoU's request, it was agreed PEAP could serve as PRSP and this coincided with the planned revision of the PEAP

# The Poverty Action Fund

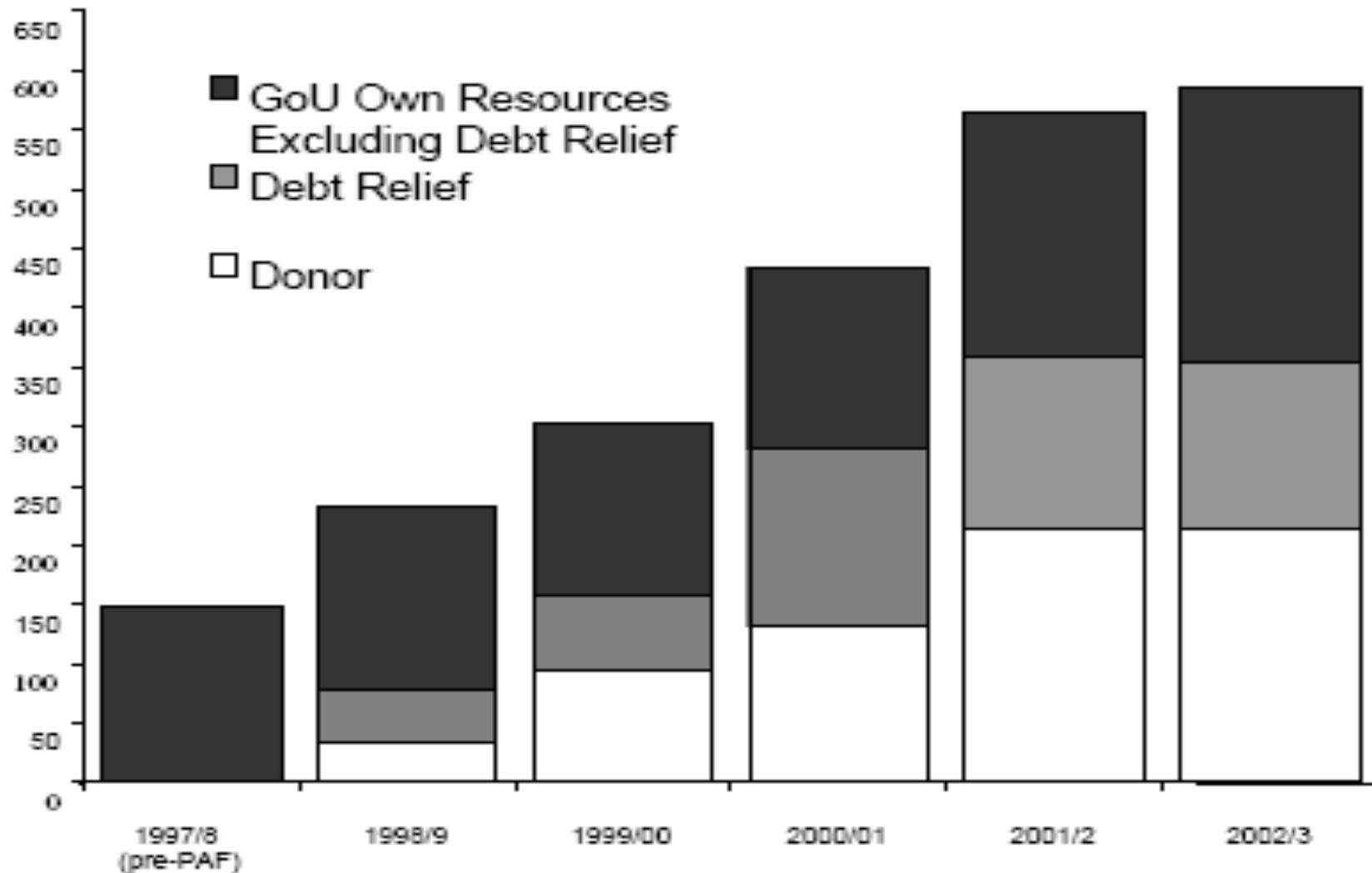


- The Poverty Action Fund was set up in 1998 to protect poverty spending from in-year budgetary cuts
- By FY 2000/01, the PAF accounted for 30% of the total Government budget, of which 75 % was transferred to the districts and PAF has increased from 98 bn in 1998/99 to 692 bn in 2002/03
- The Poverty Action fund was very instrumental in rally donors around the poverty agenda and contributing to the dialogue around aid effectiveness and poverty reduction

# Sources of PAF funds 1997/8 to 2002/3

Shs Billion

(2000 Prices)



# Introducing the DOL in Uganda

- The formal Division of Labour (DoL) process was started with the development of the Uganda Partnership Principles in 2001 as part of the PEAP process
- In January 2006 the joint LDPG/GoU Harmonization Committee Meeting, chaired by the MFPED, agreed to initiate the DoL exercise, which began in June 2006
- The process built on the aid effectiveness debates of the 1990s, which had produced the Rome and Paris Declarations on Aid Effectiveness and Harmonisation (2003 and 2005).
- Interest in the process was reiterated during the development of the Uganda Joint Assistance Strategy (UJAS) in 2005
- UJAS was in charge of the Paris Declaration agenda on the part of the donors

# Introducing the DOL in Uganda

- DoL can also be seen as an attempt by the international community to put MDG 8 on global partnerships into practice.
- These debates recognised that there are potential costs and incentive effects of aid and that attempts should be made to make aid more efficient and effective.
- Some of the benefits included:
  - The reduction in the number of bilateral negotiations for Government
  - The opportunity to discuss aid reallocations from an objective perspective
  - The existence of an Aid map that clearly showed the underserved area
  - The allocation of donors in areas where they have clear comparative advantage

# Introducing the DOL in Uganda

- Within Uganda, the DoL exercise built on an institutional infrastructure that included:
  - Joint sector working groups, chaired by Permanent Secretaries
  - Developed sector wide approaches (SWAps)
  - Pooled funding mechanisms
  - Joint missions, joint sector reviews, silent partnerships, and joint analytical work and advisory services by development partners.
  - Since 1998 there was a Consultative Group (CG), co-chaired by the Government and the World Bank
  - DPs also met in the Local Development Partner Group (LDPG).

# What is Division of Labour Exercise in Uganda ?

- In Uganda the DoL process focuses on an exercise of relating donor policy and resources to government policies and systems.
- The purpose is not harmonisation *per se*, but rather “harmonising to align”.
- The DoL exercise also mapped aid on to government policies and systems in this case, the primary development planning tools - the Poverty Eradication Action Plan (PEAP) and Medium-Term Expenditure Framework (MTEF).
- The discussion was not only framed in terms of donors removing funding from sectors, but rather on how donors align their aid with government policies and systems, as well as how they can most effectively promote and enhance government policies and systems at the sectoral and sub-sectoral level

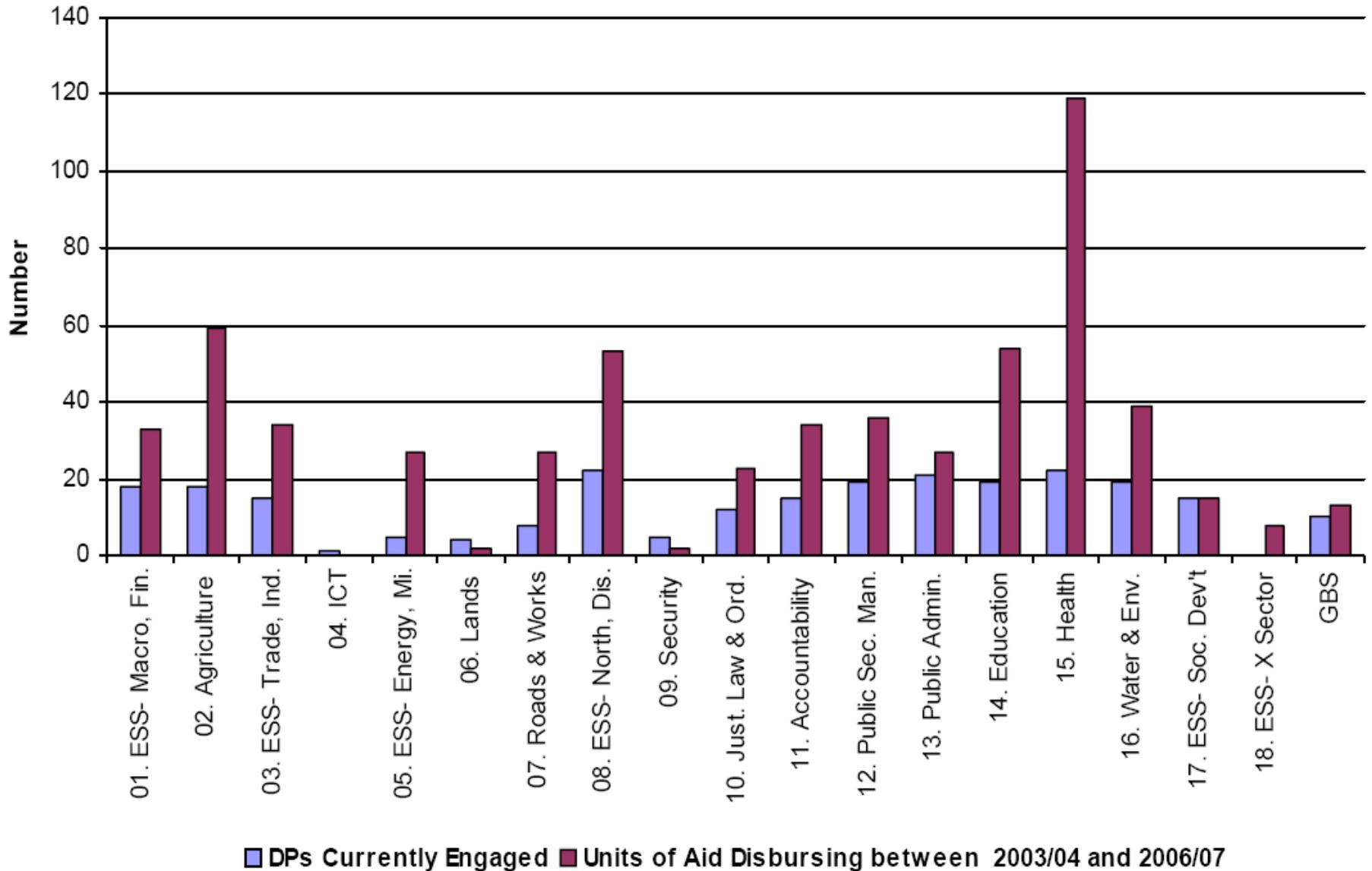
# Steps of the DoL Exercise

- **The data collection mechanism for the exercise was the Aid Information Map (AIM).** This consisted of two parts - the Questionnaire and the Financial Data Tool. The data collected was both quantitative and qualitative, concerning DP plans, justifications and financial and project facts.
- **The DP Questionnaire** collected information on current and possible future donor activities vis-à-vis the government's Poverty Eradication Action Plan (PEAP).
- **The Financial Data Tool (FDT)** presented detailed financial aid information, relating it to the Government's PEAP and Uganda's Budget/Medium-Term Expenditure Framework (MTEF) classifications, and asked donors to verify or update information
- AIM results were collated and presented back to DPs for review. A **Peer Review** process then allowed DP colleagues to assess and comment on the future plans of a donor peer.

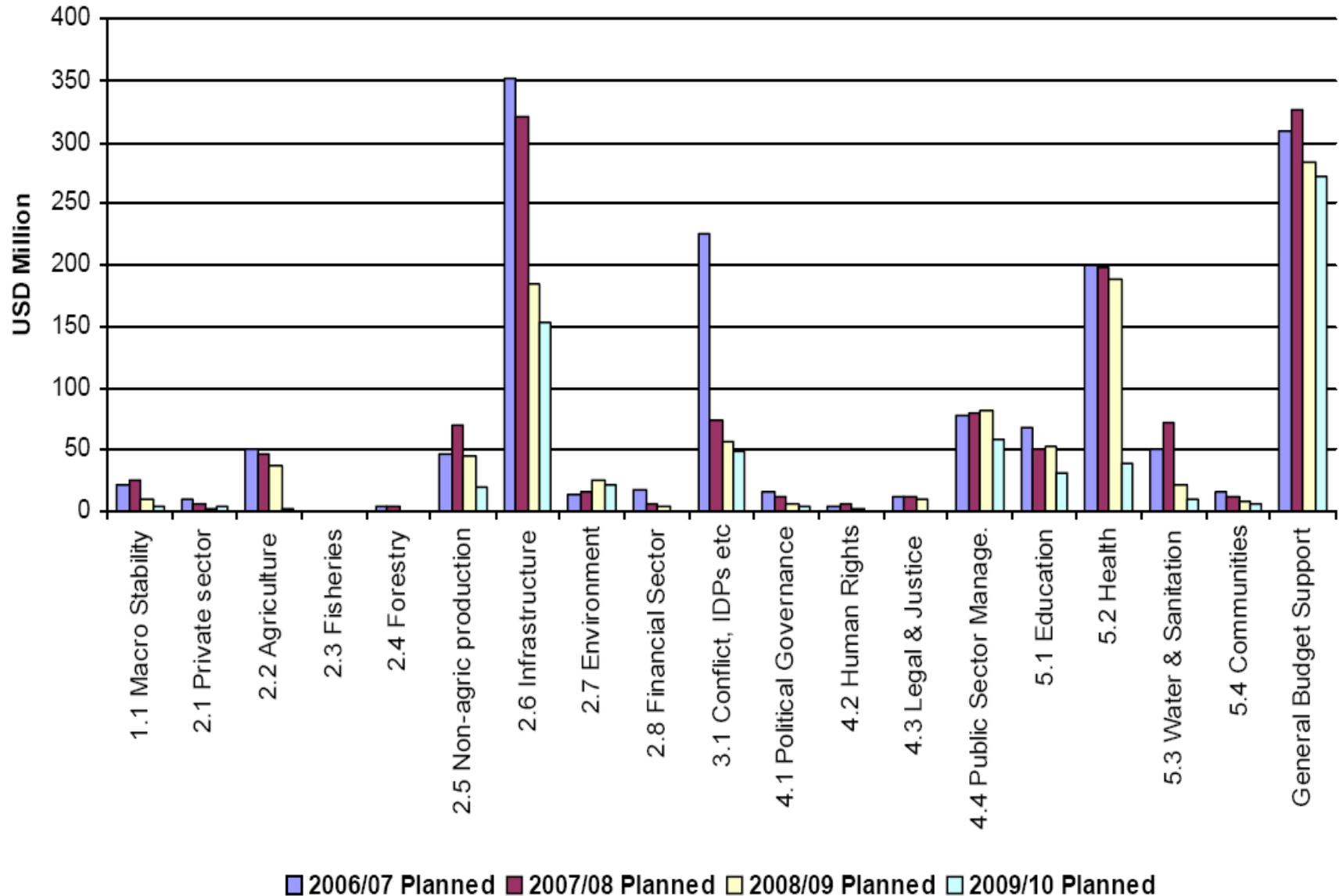
# Steps of the DoL Exercise

- At the start of the DoL process it became clear that **there was an underlying challenge about what labour should be divided around.**
- There were the following PEAP, Budget and DP Structures:
  - 5 PEAP Pillars, 18 PEAP Objectives and 48 PEAP Areas
  - 14 MTEF Sectors
  - 14 SWGs
  - 26 DP Groups.
- In order to resolve this, **a mapping exercise was undertaken** which involved two distinct processes:
  - a) allocating aid flows to the PEAP Areas and SWGs, and
  - b) plotting the PEAP structure onto GoU budget.
- This means that aid to Uganda can now, for the first time, be mapped directly onto the GoU budget.

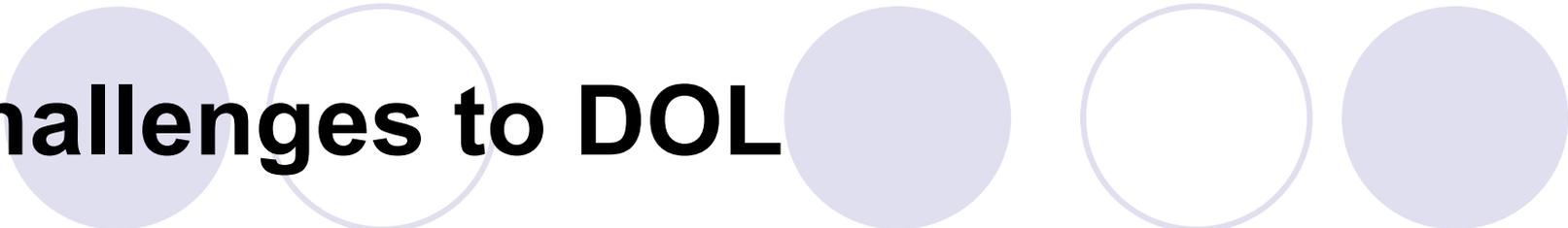
# Aid flows to Uganda seem to be increasing across SWGs



# Summary of Future Planned Aid Disbursements by PEAP Objective



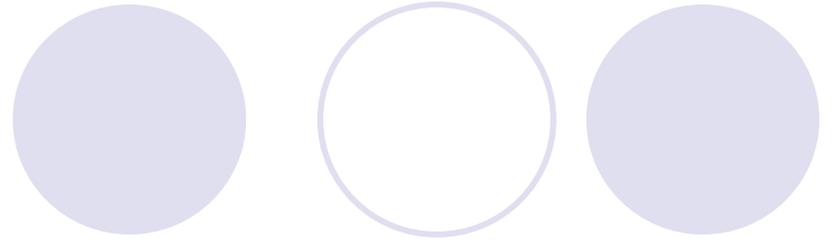
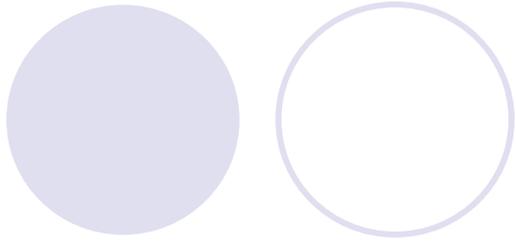
# Challenges to DOL



- Low levels of revenue collected by Government
- Future of the MTEF as an instrument for macro economic planning and budgeting
- Proliferation of Local Governments in Uganda
- Continuing donor interest in financing status quo
- Emerging development and political priorities
- Focusing on sector results and not pillar level outcomes

# Recommendations

- Need to expand Govt own revenue so that the DoL exercise becomes supportive of a budget that can achieve outcomes
- Discussions on DoL need to also be anchored into the political reality of expanding LGs and sector level implications
- DPs need to look more closely at their comparative advantage and to be more selective in the issues they tackle
- DPs need to think of comparative advantage not only in terms of funding but also depth of expertise in the sector and the modality by which aid is delivered
- There is need for adequate communication between donors and donrs and Govt and donors
- Dialogue mechanisms should also include Parliament and Cabinet as a critical stakeholders in aid management
- Need to have harmonised discussions on devt results



- Thank you for listening!