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ROUNDTABLE 3: HARMONISATION

HARMONISATION AND
DIVISION OF LABOUR
IN UGANDA1. COUNTRY CONTEXT:
CURRENT PRIORITY SECTORS
AND DONORS IN UGANDA

The Poverty Eradication Action Plan (PEAP) is Uganda's national development framework and medium-term planning tool. It is also the Poverty Reduction Strategy (PRSP), guiding the formulation of government policy and the implementation of programmes through Sector-Wide Approaches and a decentralised system of governance. In Uganda, the Paris Declaration builds on the Government of Uganda's PEAP Volume III Partnership Principles (2001) that were developed as part of the Poverty Eradication Action. The PEAP Volume III Partnership Principles identify the development objectives for the government and its development partners. The Partnership Principles link donor support with the PEAP. Over the years, other frameworks have evolved for cooperation around the Paris Declaration principles and the Government PEAP process. These have included instruments like the Poverty Reduction Support Credit and the Uganda Joint Assistance Strategy. All these frameworks have influenced the localisation of the Paris Declaration.

Given the five PEAP pillars, the 48 PEAP key result areas, 14 Medium-Term Expenditure Framework sectors, 14 Sector Working Groups (SWGs) and the 26 Development Partner Groups, harmonisation and alignment are critical challenges. There is a considerable variation in engagement across sectors. For example, if foreign aid and the government's domestic budget allocation are combined, the best re-

sourced sectors in Uganda are: Energy & Minerals, Roads & Works, Disaster Management & the North, Education and Health. The least resourced sectors are: Macroeconomic & Financial Sector Management, Tourism, Trade & Industry, Information Communication Technology, Lands, Housing & Urban Development, Gender, Labour & Social Development.

The current donor structure – 25 donors including different UN sub-organisations – comprises larger donors who show higher-than-average disbursements and smaller bilateral donors with quite low average disbursements. In addition, there are several other sources of external aid and non-aid resources that are currently

not reflected in any aid information management system or considered in formal harmonisation and Division of Labour (DoL) processes. These sources are vertical funds such as the Global Fund, new donors such as China, Russia or Arab Funds, and also private philanthropic donors.

The highest congestion of aid in Uganda can be found in the Health and Education sectors. The most fragmented aid appears to be in the sectors of Security, Public Administration and Justice, Law & Order. In Uganda, many small donors are disbursing very small amounts of aid across many sectors. It is therefore predominantly smaller donors who could contribute most to reducing fragmentation.

2. HARMONISATION AND THE DIVISION
OF LABOUR (DOL) PROCESS IN UGANDA

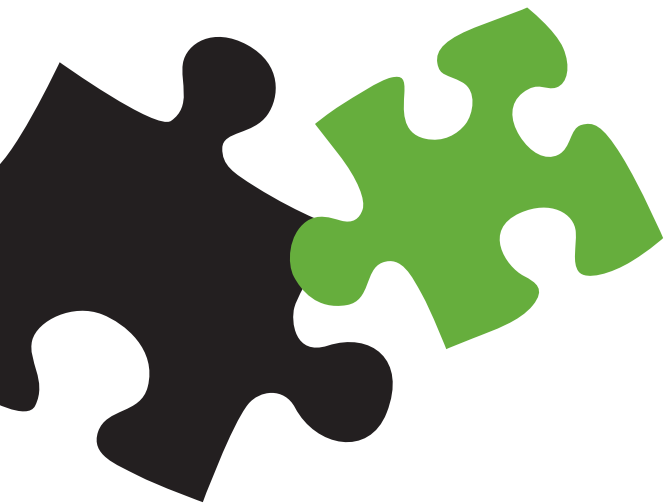
INITIATIVES PRECEDING PARIS

In Uganda, harmonisation and the DoL efforts can be traced back to the 1990s. That is when the government made the fight against poverty its first priority. The predominantly home-grown **Poverty Eradication Action Plan (PEAP)** was launched in 1997. Since 2000, the PEAP has served as the country's Poverty Reduction Strategy Paper (PRSP). The formal DoL process started with the development of the Ugandan Partnership Principles in 2001 as part of the overall PEAP process.

Implementing the PEAP and becoming part of the **Heavily Indebted Poor Country**

Initiative (HIPC) led to a more refined focus on poverty and to the creation of a **Poverty Action Fund (PAF)**. This fund was an integral part of the national budget and ring-fenced part of Uganda's budget for specific poverty priority areas. Furthermore, the PAF helped to rally the government and donors around the poverty agenda and to initiate the necessary dialogue.

The PEAP, the national budget process and its main technical tool, the **Medium-Term Expenditure Framework (MTEF)**, as well as the PAF are all linked. The MTEF, for example, provides a framework for pro-poor allocations of public expenditure



over three-year periods. The government recognised early on that in order for the PAF to deliver more effectively, it had to focus more on multi-dimensional poverty and take the participation of the poor more seriously.

A PEAP revision process led by the Ministry of Finance, Planning and Economic Development (MoFPED) resulted in a poverty-focused national plan that was built around five broad goals (known as pillars) for poverty eradication. The PEAP 2007/8 is based on three crucial strategic results to be achieved: increased GDP growth, reduced poverty and inequality, and improved human development.

DIVISION OF LABOUR PROCESSES AFTER PARIS

As mentioned earlier, by the time the Paris Declaration was launched in March 2005, Uganda had in many ways already made significant progress with respect to local leadership of the development agenda. In January 2006, the **Uganda Joint Assistance Strategy (UJAS)** was laid out and signed by eleven donors. The UJAS was the strategic response to the PEAP. It built on and was in line with the Partnership Principles. The initial UJAS partners were: the African Development Bank, Austria, Belgium, Denmark, the European Commission, Germany, Ireland, the Netherlands, Norway, Sweden, the United Kingdom and the World Bank Group. The UJAS provides a useful strategic framework for dialogue, including issues of governance, corruption and public finan-

cial management. At the same time it provides the space for all UJAS partners to exercise sufficient flexibility in response to evolving trends, based on mandate and comparative advantage.

FIRST STAGE OF DOL

In Uganda, the first stage of the Division of Labour (DoL) exercise was led by the MoFPED in close collaboration with donors. It started at the beginning of 2006 with a study funded by DFID and the World Bank and bearing in mind the cutting-edge examples of Zambia and Tanzania. To a greater extent than in other countries, the purpose of the DoL in Uganda was and is not harmonisation per se, but rather “harmonising to align”. Therefore, the discussion was not so much framed in terms of donors removing funding from sectors, but rather of how donors align their aid with government policies and systems, as well as how donors can most effectively promote and enhance government strategies at the sectoral and sub-sectoral level.

The first challenge was the question of the structures and mechanisms around which labour should be divided. Should these be the five PEAP pillars, the 48 PEAP areas, the 14 MTEF sectors, the 14 Sector Working Groups (SWGs) or the 26 Development Partner Groups? In order to resolve this question, a mapping exercise was undertaken that allocated aid flows to the PEAP areas and SWGs and then matched up the PEAP structure with the government’s budget.

Stage 1: Steps and tools in the DoL process

1. Design and implementation of an **Aid Information Map (AIM)**, which provided a baseline for the DoL exercise as a whole. AIM had two components: the Development Partner (DP) Questionnaire and the Financial Data Tool (FDT). Additional material, such as the OECD / DAC survey and other recent evaluations (e.g. of General Budget Support or assessment of individual performance) were also used to supplement FDT data and to provide general background information.
2. The **DP Questionnaire** collected information on current and possible future activities as well as on aid flows of donors. Current engagement was mapped according to the PEAP pillars in terms of financial support and dialogue processes. Furthermore, donors were asked about their future commitment and had to explore the areas in which they would consider taking on leadership functions, withdrawing or devolving dialogue or financial responsibility to other donors.
3. The **Financial Data Tool (FDT)** presented detailed financial aid information from MoFPED and the “Economist Group on aid to Uganda”, relating it to the PEAP pillars and Uganda’s budget classifications. The existing data for each donor (in terms of type, alignment, modality, and relationship to the government’s

budget classifications) were sent to each donor for verification. Correction and completions could be made in a user-friendly Access database.

4. After the AIM results were put together, **the peer review process**, which took place in November and December 2006, allowed reviewers to assess and comment on the future plans of a donor peer. Each donor was reviewed anonymously by two peers, who provided comments on the suitability of the donor's future plans. As a result, some donors subsequently revised their plan, which was incorporated into the AIM database.
5. In order to have comparable and consistent data across all donors, the goals of the PEAP were mapped onto the Medium-Term Expenditure Framework (MTEF) and thus onto the Sector Working Groups (SWGs). This **MTEF-PEAP exercise** was essential for linking ODA, the long-term poverty reduction goals of the PEAP and the government's own development and recurrent budgets.

Stage 2: Steps and Sector Working Group process

1. Launch of SWG process (organised by MoFPED): Meetings have been held between the MoFPED and line ministries to launch the SWG process and get support at senior level in SWGs. This included a briefing on the DoL process, results so far, the guidelines and the timeline for

decisions. In cases of weaker or non-existent SWGs, the MoFPED consulted with the known stake-holders in the sector / area.

2. Preparation and distribution of sector information: The DoL sector reports were circulated to SWGs based on detailed guidance materials, tailored to each SWG. These included identification / exploration of issues around structure, alignment, congestion, fragmentation, use of aid instruments and modalities.
3. Meetings of Development Partner Groups: Meetings organised by DP groups are currently underway to reflect on the findings of the DoL work and arrive at some common positions before engaging with the SWG, particularly where a SWG is non-existent or ineffective.
4. Meetings of Sector Working Groups: Meetings are planned with SWGs to ensure that there is liaison with MoFPED desk officers, to establish a timetable of meetings and agendas, develop proposals for specific DoL plans, and improve aid alignment, among other issues. These meetings will be a basis for a stronger and more intensive dialogue on the implementation of the DoL processes in Uganda.

Management: arrangements and key issues

The division of labour exercise is housed in the **Joint Government of Uganda**

(GoU) / Local Development Partner Group (LDPG) committee on harmonisation. The LDPG is represented in this forum by the LDPG sub-group on harmonisation, which is tasked by the LDPG to take forward this work and report back to the LDPG. A focused GoU / LDPG Taskforce will provide the focal point for delivering the exercise's agreed outcomes.

Other alignment processes, such as the EU harmonisation and Joint Programming process, and UN-DAF, will be integrated in the follow-up process. At Ugandan level, it is considered important to maintain close coordination between the DoL and joint budget support. This relationship is crucial for the development of General Budget Support performance assessment frameworks and their links to the SWGs.

Expected outcomes

The expected outcome is a report containing a final agreed GoU / Development Partner DoL road map that will present conclusions on:

- the lead development partner for dialogue and the development partner composition in that thematic / sectoral area
- agreed structure and the role(s) of lead / active / delegating partners; and
- agreed schedule / timeframe for the implementation of shifts by development partners

3. LESSONS LEARNED IN UGANDA

POSITIVE EFFECTS

For the sectors in Uganda in which DoL has been fully operationalised (Education; Justice, Law and Order; Health; Water), the following positive effects and benefits can be named:

Getting the full picture

The Aid Information Map (AIM) has helped both the government and co-operating partners to form a more complete picture of the aid architecture in Uganda. As a result, everybody has relative transparency about who is doing what and where, and which resources have been or will be provided. This clear and more objective perspective also helps to discuss aid reallocations. So does the peer review process

in which donors appraise each other's future plans and find out where their comparative advantages lie and what roles they can best play in each sector. The AIM also helps to visualise which sectors and cross-cutting issues are not getting the necessary attention and funding over a period of time.

Reduction of transaction costs

Gone are the days when each donor held an individual sector dialogue with the

government. In the Justice, Law and Order sector, for example, the donor group now engages the government only through its chair rather than each donor holding parallel meetings with the government. This helps to reduce the cost of meetings, but is also beneficial for driving the reform process further. Thus, it is obvious that DoL has led to a reduction of transaction costs on the part of both the government and the donors.

OUTSTANDING ISSUES

Despite the promising experience with DoL, there are still a number of issues that have to be taken into account for future action.

Ownership versus donorship

Especially at the beginning of the DoL process, stakeholders both within the donor community and the government felt that the process had been driven much more by donors than by the government. Another reason why not everybody in the government agreed with the DoL principles was that some key central government institutions were more informed and actively involved in the DoL process than others, e.g. sector ministries.

Conflicts of interest

Today there are less individual talks between the government and donors. Yet there are often residual problems when chairing institutions do not properly execute their function as coordinators. Sometimes they even take advantage of their privileged position to leverage policy dialogue and access information in a manner that benefits only their institutions at the expense of the other members of a certain working group. Conflicts of interest, different objectives, rules and constituencies may also be the reason why agreements on joint programming have so far been very difficult to reach among donors. The concept of the “silent partner” – which means entrusting another donor with activities and allowing them to act on one’s behalf – is rather difficult to apply in practice. When it comes to the lead role, the situation is often worse. There are donors who assume a lead role in as many as 10 sectors, thus leaving only few for the other donors. The issue of who decides which donor has

the comparative advantage in any given sector and of how to balance interests of small versus large donors is difficult to address objectively.

Transparency and predictability

Not all donors are willing to subject each and every project proposal to technical committees of SWGs for intensive discussion prior to approval. Some are also reluctant to report to the SWG on progress (e.g. projects on peace and security in Northern Uganda). Mainly because of institutional limitations, some donors are also not able to provide predictable and reliable data about future aid flows. While some provide data for the next five years, others – not only in humanitarian-related working fields – are not able to provide accurate data for the upcoming year.

Continuity in the DoL process

The DoL exercise was not completed when it lost momentum by the end of 2007. There were few intensive consultations at SWG level on different donor interests. The government was supposed to review the donor presence in each sector, but this was not accomplished either. However, there has been renewed dynamism since the beginning of 2008 when the government started preparing a new National Development Plan.

Staff continuity and capacity

The DoL exercise refocused the government and cooperating partners on aid effectiveness and thus changed the mindset of many people. But staff turnover and unfunded add-on assignments tend to undermine the results achieved. More-

over, it is not only the technical skills that matter, but also negotiation and facilitation skills and the willingness to negotiate and collaborate with others.

Common ground

There also has to be a common understanding of key concepts and terms. Without standardised definitions of “lead”, “supportive” and “silent”, of indicators and simple terms like “missions”, the DoL exercise cannot be taken further. Such clearing work should go as far as the sector ministries and the local government levels as well as the different donors.

Emerging donors

The role of emerging donors (China, India, Brazil, South Africa) and new and increasingly significant alternative sources of development finance is also not adequately enshrined in the current DoL. This weakness renders the entire enterprise merely a partial solution to the challenges of achieving comprehensive aid effectiveness. That is why this issue is under active discussion in the CPG.

Technological “congestion”

At this point there are too many different technological tools which, if merged and well incorporated into the government’s budget process, could lead to lasting improvement of the government’s aid data. For maximum benefit to be derived from the DoL exercise, the AIM database should be integrated into current MoFPED databases and merged with an easy-to-use software.

4. OUTLOOK: WHAT ARE THE CHANCES OF ENHANCED DOL IN UGANDA?

The chances of enhanced DoL in Uganda seem to have risen since the Ugandan Government has taken leadership in preparing the new National Development Plan and since the DoL process has gained renewed dynamism. The Ugandan Government and the cooperating partners are in the midst of an ongoing process, in which harmonisation has to be aligned

more closely with government policies and government systems. Aid has become directly mapped onto the government budget. However, there is still room for improving the harnessing and optimal allocation of resources. The main challenge for achieving reduced transaction costs, balanced and less fragmented sector coverage and efficient development

assistance consists in enhancing donor activities to promote government structures at the sector and sub-sector level. Uganda has in mind a truly harmonised discussion on development results in order to meet the existing challenges successfully.