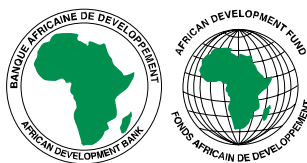


AFRICAN DEVELOPMENT BANK GROUP



UGANDA

**JOINT ASSISTANCE STRATEGY
REVIEW OF THE HARMONIZATION PROCESS IN
FIVE COUNTRIES**

**OPERATIONS EVALUATION DEPARTMENT
(OPEV)**

SEPTEMBER 2006

Uganda Joint Assistance Strategy (UJAS) A Review¹

Third Draft – August 14, 2006²

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² An earlier draft of this report was shared with the AfDB Uganda Country Office (UGCO), and circulated by UGCO in AfDB Operations Complexes.

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Uganda Joint Assistance Strategy (UJAS) A Review

Executive Summary

I Introduction

- (i) The development of joint donor strategies, joint programs, and joint evaluations is no longer an option for development assistance in Africa, but a *must* in the political context of harmonization, alignment, and country results-orientation. Business-as-usual no longer works and will have to change to enhance development effectiveness, efficiency, and sustainability of ODA lending and other forms of external assistance. The question is not *if*, but *how* to improve harmonization and cooperation, and we need to learn the lessons from past and ongoing experiences. This report summarizes such experiences from Uganda³.
- (ii) The Bank Group in December 2005 adopted the Uganda Joint Assistance Strategy (UJAS) as the Bank's country programming framework for the country. The UJAS was developed by seven donors and replaces the traditional Country Strategy Paper (CSP). This report presents (1) findings on overall UJAS relevance, its bearings on country strategy, the impact on transaction costs, and the Bank effectiveness in the process; (2) risks and challenges for the Bank associated with joint assistance programming; (3) essentials and priorities for moving ahead with the Uganda JAS; and (4) lessons learnt from Uganda for similar harmonization and joint assistance processes in other countries.

II UJAS Relevance and Effectiveness

- (iii) Relevance of UJAS: This Review found that UJAS is highly relevant to Bank alignment and harmonization principles. It is a coherent response by a group of core donors to Uganda's 2004 Poverty Eradication Action Plan (PEAP), the country's PRSP equivalent. UJAS focuses on outcomes and measuring of results, and explicitly identifies the links between the different UJAS interventions and PEAP results. It is expected to contribute to improved public sector management and tangible improvements in M&E and results-based decision-making. UJAS aims to simplify aid delivery systems and to reduce Government and donor transaction costs. It also presents a common assessment framework for determining overall levels of external assistance.
- (iv) Effective country assistance: UJAS has so far been very effective to harmonize assistance strategies in Uganda. The review found clear value-added and high

³ This report is based on a Review of UJAS during a two-week mission to Kampala by a senior OPEV officer in December 2005. This included extensive in-country interviews with the Uganda Bank Country Office (UGCO), Government, major donors, and Civil Society representatives. In addition, a structured questionnaire survey was administered which yielded detailed responses from eight donor partners.

satisfaction among major partners with the UJAS process so far. Several compromises in UJAS accommodated some Bank concerns and will allow full alignment of the Bank's country strategy over time, particularly on modalities of external assistance, sector selectivity, and governance. UJAS suggests some priority areas for partners in support of the PEAP and thereby provides more focus. In all these activities UJAS partners can build on the Ugandan Government's excellent leadership in addressing gender issues and its commitment to strengthening environment and resource management. UJAS also sets important goals for promoting better governance and accountability in Uganda. But UJAS is still relatively weak in practical terms and concrete investments to ensure better public sector management, accountability, and M&E implementation. Critical work remains to be done on the division of labor and sector selectivity among donors, identification of aid modalities commensurate with Government capacities and individual donor regulations, and policy dialogue. Government will have to become more involved in all of these processes.

- (v) Transaction costs: UJAS is committed to reduce assistance related transaction costs in the medium- to long-run and bring about substantial rationalizations and administrative savings. This would be achieved by reducing the number of program and project implementation units (PIUs), enhanced utilization of consolidated country systems in disbursement and procurement, crowding-out of donor assistance in certain sectors, and rationalizing budget allocation and disbursement decisions. Increasing the quality and predictability of assistance is another one. UJAS relies on existing mechanisms and agreements rather than new structures, in particular the Uganda Partnership Principles, donor country sector groups, and the Government's own ministerial working groups and coordination mechanisms. Achieving lower transaction costs in the long-run may, however, require additional investments and efforts by donors and the Government in the short- to medium run. It is imperative for AfDB to further assess how to cover these additional investment and human resource requirements that may incur in the near future.
- (vi) Bank effectiveness in UJAS: The Bank's effectiveness in Uganda's harmonization and UJAS process was high at the Country but low at Headquarters level. The Bank's Country Office has been very effective in shaping the UJAS and the policy dialogue with the Government. But problems remained with the Bank's sectoral policy and program dialogue, particularly in its rather critical perception by many donor partners. Also, a number of AfDB disbursement and procurement problems in Uganda had negative effects on some partners. It is expected that these issues will be addressed in the current review of Bank business processes for which a special Task Force has been set up at AfDB Headquarters in mid-2006. In general, more support, guidance, and administrative flexibility from donor headquarters are called for. It would be particularly useful for the Bank's Senior Management and Boards to become more actively involved in future joint assistance strategies *at an earlier stage*. This could particularly help to promote the Bank as a more monolithic block sparing the country-level impression of intra-Bank disconnect between country and sector operations. Again, it is expected that many of these issues are being addressed with the ongoing reorganization of the Bank. It should be commended that Bank Headquarters in

2005 were instrumental in developing a formula for ‘*ring-fencing*’ certain projects and their procurement to enable the Bank’s participation in sector-wide programming (SWAPs) in Uganda. Further review of the Bank’s business processes, particularly with

III Risks and Challenges in Joint Assistance

- (vii) Risks. The Review identified substantial *political risks* for the Bank associated with harmonization and UJAS in Uganda. They could even affect the level of assistance and the Bank’s standing with the Government. For instance, a not completely improbable worsening of the enabling political and governance environment in Uganda could trigger a punitive low-case scenario for assistance under UJAS. It then would be expected that all UJAS partners respect such a lowering of aid, although it must be noted that the UJAS document and agreements are not legally binding. Another risk consists in terms of safeguarding the Bank’s fundamental relationship with the Ugandan Government, as the Government is a vested shareholder in the Bank. This may lead to conflicts of interest for AfDB regarding its position towards the Government and other DPs, particularly those in the donor community.
- (viii) *Institutional and operational risks* are also significant. Enhancing the division of labor among donors could lead to reduced investment opportunities for the Bank and to limited degrees of freedom for setting its own investment priorities. Longer, more complicated and costly project preparations are to be expected. The Bank could also run into problems to define its corporate profile and comparative advantage viz-a-viz other donors, compatible with its nature of an African-based and African perspective-driven institution. In Uganda, the Bank has made a good start to define such a distinctive role. UJAS could indeed help the Bank to become an effective partner on the country scene, provided that the Bank will expedite the deployment of decentralized senior technical staff and the necessary operational budgets.
- (ix) Significant *fiduciary risks* exist, as fiduciary accountability by the public sector and M&E on the ground are weak, particularly in Uganda’s line ministries. Relevant institutions and procedures may exist but are not always fully functional. In the end, civil service and pay reforms would be required to strengthen the public sector and reduce the fiduciary risk.
- (x) Main challenges for the Bank are in further decentralization of its operations, public sector capacity development, and reinforcing the Bank’s African identity. To become a truly effective partner in harmonization the Bank must above all further strengthen its Country Office (CO) and further decentralize operations. A smart decentralization would (1) expand the technical capacity at the CO, (2) have the Bank team up with bi-lateral donors with specialized technical know-how at country level; (3) strengthen the CO in aligning the Bank’s sector interventions with country interests; (4) delegate more authority to the CO; (5) invest in lasting institutional strengthening of public sector systems; and (6) enhance HQ support and engagement. The new Enhanced Decentralization

Policy of the Bank to be discussed by the Board in fall 2006 is expected to pay attention to these challenges.

- (xi) African Profile for AfDB: To raise its profile as an African institution the Bank in Uganda should assess how to (1) break out of its ‘cocoon’ and raise its profile in Uganda society; (2) become a “*true African Bank*”, by formulating more critical positions from an African perspective, for instance on debt relief or trade distortions; (3) provide more strategic funds for technical and economic studies; and (4) assess the applicability and enhance the transfer of ‘*developed*’ world models to African countries.

IV The Way Ahead with UJAS⁴

- (xii) Major tasks: Challenges for UJAS in 2006 and the coming years are: the sector division of labor among donors; how to handle, implement, and sequence planned changes in modalities of aid; and settling of some remaining governance questions. Comparative advantages for different donors will have to be established, with enough room to accommodate potential shifts in comparative advantages over time. UJAS partners will also have to increase their selectivity and adaptability in the use of aid modalities, in line with the spirit of UJAS to provide more general and sector budget support wherever possible and allowed for by the capacity of public management systems. Some controversial governance questions will still have to be hammered out among partners, and different assessments of the risks posed by poor governance (corruption), the political transition, and related risk mitigation mechanisms will have to be settled. Partners will have to increasingly take UJAS principles and strategies to the sector level, reinforce their agreements with line ministries, and establish new sector partnerships, incl. silent partnership agreements with other donors. Developing TORs for joint supervisions and evaluations will have to be a next step.
- (xiii) Engaging the Ugandan Government: A key question is how to engage the Government more closely, and specifically who in Government. Although the Ministry of Finance, Planning, and Economic Development and the Prime Minister’s Office are expected to continue to play lead roles as UJAS partners, it will be increasingly in the sectors where the joint action and UJAS is going to happen.
- (xiv) UJAS management: UJAS donors may wish to establish a small UJAS secretariat to ensure effective communication, conduct annual UJAS reviews and updates, and support the division of labor exercise. Such a secretariat should, however, be well integrated into existing coordination mechanisms. Cost sharing mechanism may have to be developed. The UJAS process may have to be formalized somewhat more, particularly with the expected inclusion of more donors. Partners may consider to introduce more formal internal governance structures and rules for UJAS which could include specific rules for how to deal

⁴ The interested reader could find updates and background materials regarding the current situation in respect of the role of the Government in the UJAS implementation, donor structures, the UJAS principles to guide old, as well as new members, the initiatives surrounding the annual PEAP implementation review and the division of labor exercise by consulting UGFO’s monthly reports from January 2006 to date.

with and resolve controversial issues, how to facilitate actions and prevent delays for the whole process in case of individual donor delays, etc.. Including more partners in the future may require creative solutions to allow those donors to participate who for various administrative or political reasons are difficult to align (eg. UN, USAID, JICA). UJAS may consider several tiers of partners, with different levels of engagement. UJAS will also have to develop a game plan to better institutionalize Civil Society participation in the program, particularly to ensure policy inputs and independent monitoring and evaluation (*'watchdog function'*).

V Lessons Learnt from Uganda for Harmonization and Joint Assistance Elsewhere

- (xv) The Uganda case embodies a number of lessons for harmonization and joint assistance in other countries:
- (1) Producing a joint strategy may take more time than preparing a single agency country assistance strategy. Adequate human and financial resources are essential.
 - (2) A clear management arrangement for the process needs to be put in place, which includes the advance identification of leaders and clarification of partners' expectations.
 - (3) All partners, actual and prospective, should be involved and regularly consulted from the start. The strategy document must be grounded in objectives that are deliverable.
 - (4) Different tiers of membership in Joint Assistance Strategies could facilitate the participation of donors with more restrictive aid modalities.
 - (5) The authors of drafting the joint strategy document should carefully review, discuss and develop core bits of analysis, in particular that of donor comparative advantage.
 - (6) Support from donor headquarters needs to be ensured, by securing flexibility and readiness for innovations with regard to headquarter policies and regulations.
 - (7) Future JAS processes should become more scripted. Inter-country collaboration and exchange of experience should be expanded.
 - (8) Government readiness for the Joint Assistance needs to be enhanced, through capacity building in central *and* key line ministries for enhanced accountability and performance-based M&E.
 - (9) Equal attention should be paid to implementation and mitigation of implementation risks as to the initial design and planning.

- (10) The political implications of harmonization and joint assistance strategies and the changes have to be addressed head-on.
- (11) The overall goal of 'jointness' must go hand in hand with mechanisms for securing diversity-in-unity. Otherwise there is always a danger of 'over-homogenization' of policies and approaches in joint assistance.
- (12) As in any partnership, differences in interests and priorities among partners need to be acknowledged and respected. Structures, processes, and an appropriate culture of cooperation and teamwork need to be established at country and HQ levels to ensure frank debates and resolution of differences.

Uganda Joint Assistance Strategy (UJAS) A Review

I Introduction

1. The development of joint strategies, joint programs, and joint evaluations is no longer an option for development assistance in Africa, but a *must* within the political context of harmonization, alignment, and country level results-orientation. Business-as-usual no longer works and has to be carried out differently in order to enhance development effectiveness, efficiency, and sustainability of ODA lending and other forms of external assistance. The question is not ‘if’ but ‘how’ to improve the conditions to better harmonize and cooperate. There is much need for learning from past and ongoing experiences with harmonization. This report summarizes some experiences and lessons from Uganda.

1. The International Harmonization Agenda and AfDB Response

2. The AfDB is a signatory to the international harmonization agenda developed in Rome (2003), Marrakech (2004) and Paris (2005). In line with this commitment, the Bank Group has increased its involvement in coordination and harmonization, notably with the recent approval by the AfDB Board of the Uganda Joint Assistance Strategy (UJAS) as AfDB’s country programming framework for Uganda. The UJAS which was developed jointly by seven donors replaces AfDB’s traditional Country Strategy Paper (CSP). The Bank also participates in the preparation of two other Joint Assistance Strategies (JAS), in Tanzania and Zambia.

3. Although the JAS approach presents significant opportunities, there may also be challenges and possible trade-offs for the Bank. In order to address these challenges and other questions, the AfDB Board in November 2005 instructed the Bank’s Evaluation Department, OPEV, to conduct a study to assess how harmonization in general, and the JAS process in specific, has worked so far and what lessons could be learnt from for the respective countries as well as for harmonization elsewhere. Implications of Bank participation in these processes would also be assessed.

4. The overall objective of the study was thus to review the process leading to JAS, and its content, as well as other ongoing harmonization efforts that are not driven by the JAS concept and would provide counterfactuals. Concentrating on East- and Southern Africa, the region where harmonization appears to be most advanced, Zambia, Uganda, Tanzania, Mozambique and Ethiopia were chosen as case studies.

2. Joint Assistance Strategy (JAS) Review Objectives

5. The overall JAS Review focuses on the following issues⁵:
- The extent to which the JAS coordination/harmonization process and content are consistent with relevant Bank strategies as well as with accepted alignment and harmonization principles;

⁵ Draft Concept Note on ‘OPEV Review of the Joint Assistance Strategy Process’ of Dec. 1, 2005

- The usefulness of the processes to establish more effective country assistance programs;
- The potential of the processes to reduce transaction costs through common implementation and monitoring;
- The effectiveness of the Bank's role in the JAS process; and
- Opportunities, risks, and costs associated with the ongoing JAS process.

3. Case study: Uganda Joint Assistance Strategy (UJAS)

6. The Uganda case study is based on a two-week mission by an OPEV staff member to Kampala, Uganda, in December 2005. This included reviews of UJAS documents and interviews with a heterogeneous group of UJAS partners (Donors, Government), incl. the Ugandan AfDB Country Office (UGCO)⁶. Extensive and well attended meetings were held with officials from the Ministry of Finance, Planning, and Economic Development (MoFPED) and the Prime Minister's office, and with several Civil Society representatives. A structured questionnaire was sent to thirteen donors in Uganda that are either already UJAS partners or very interested in the process, excluding AfDB. Eight donors responded. Their answers are summarized in Annex 1.

7. Uganda is an interesting case study, not only because of the recent adoption of the first Joint Assistance Strategy (JAS) in any country in Africa by several major donors. It is also relevant as harmonization and cooperation between Government and donors for growth and poverty eradication have a long history in Uganda, with the first Government Poverty Eradication Action Plan (PEAP) – the country's PRSP – drafted almost 10 years ago, in 1997, and a set of Partnership Principles developed by the Government and signed by most donors in 2003.

8. Uganda is an important country for foreign assistance, and has for many major donors a very high priority, and receives close to fifty percent of its Government budget directly or indirectly through foreign assistance. At the same time, some political uneasiness developed in Uganda in 2005 that needs to be addressed through making assistance more effective and the processes more acceptable to all parties involved.

9. Why now? UJAS is just at the beginning. And although a critical juncture was just reached with the adoption of the UJAS Strategy Document by several donors as their de-facto country strategy, the process is far from complete. Its ultimate impact and effectiveness remain to be seen. This Review is more of a snap-shot of an ongoing process, rather than an ex-post evaluation with a final assessment or judgment. The Review focuses on what has happened so far and on the experiences and perceptions of major players. Its major goal is to draw lessons on how to proceed, not to judge. AfDB performance in Uganda is only being reviewed and assessed in so far as it may affect - or may have affected - the harmonization process and agenda in Uganda.

⁶ for a detailed list of interview partners see Annex 3

4. Report Structure

10. This report starts with a brief overview of the main rationale, objectives, and context of the Uganda Joint Assistance Strategy (UJAS) in Chapter II. The reader who is familiar with the UJAS may skip this background information. The report then proceeds with an assessment of the overall relevance and effectiveness of the UJAS process in Chapter III, particularly in terms of its value-added compared to previous harmonization and coordination processes. Chapter IV then addresses the relevance and impact of UJAS specifically for AfDB, as well as AfDB's role and effectiveness in the process. The report concludes in Chapter V with summarized findings related to the five review objectives, ways to minimize the Bank's risks and to maximize its role in the process, some perspectives for the road ahead in Uganda, and lessons learnt for harmonization and joint assistance processes in other countries.

II UJAS Evolution and Central Elements

1. UJAS – An idea was born

11. UJAS is a response by a group of donors to the Ugandan Government's 2004 Poverty Eradication Action Plan (PEAP), the country's PRSP equivalent. The main goal is to more fully align donor country strategies and programs with the PEAP. The idea of preparing a Joint Assistance Strategy for donors in Uganda was first discussed in the fall of 2003. It arose when the World Bank had to prepare a new Country Assistance Strategy (CAS). The CAS among others guides the Poverty Reduction Strategy Credit (PRSC), a major multi-donor general budget support instrument. The idea of a joint document and strategy was quickly endorsed by a several donors. In the end UJAS was collaboratively designed by seven donors as its founding members and finalized in the second half of 2005. As of summer 2006 UJAS counts 10 active members. The seven founding partners were AfDB, the World Bank, DfID, Germany, Netherlands, Norway, and Sweden. The UJAS presents the core country operations strategy and key interventions of these partners for 2005-9.

2. Brief Historical Review of Harmonization in Uganda

12. Uganda has a long history of harmonization of foreign assistance in Uganda. The Government of Uganda (GoU) had promoted donor coordination and alignment since the early 1990s. Over time this spurred the establishment of several joint sector working groups, the development of some sector-wide approach programs (SWAps) and pooled funding mechanisms, joint missions, silent partnerships, and joint analytical work and advisory services by development partners. Subsequently, the annual poverty reduction support credit (PRSC) process played an important role in strengthening donor harmonization.

13. In 2003 the Government laid out its intent for closer collaboration and harmonization of and with donors in a set of partnership principles ("Building Partnerships to Implement the PEAP"). These principles have by now been signed by almost all donors. At the time, these partnership principles were unique in Sub-Saharan Africa in guiding donor support and in establishing the importance of budget support viz-à-viz single, stand-alone projects.

Box 1 - Uganda Partnership Principles (2003)

Responsibilities of the Government:

- Focus on poverty eradication
- Assumes full leadership in the donor coordination process
- Discourages stand-alone donor projects
- Strengthens monitoring and accountability
- Develops comprehensive, costed, and prioritized sector-wide programs eventually covering the whole budget
- Further develops participation and coordination of all stakeholders
- Strengthens capacity to coordinate across government.

Responsibilities of Donors:

- Jointly undertake analytic work
- Jointly set output/outcome targets
- Develop uniform disbursement rules
- Develop uniform and stronger fiduciary assurance and accountability rules
- Ensure integration of support in sector-wide programs
- Continue to increase untied budget support
- Increasingly delegate responsibilities to country offices
- Abolish topping up of individual project staff salaries
- End individual, parallel country programs and stand-alone projects
- Reduce the tying of procurement.

3. Drafting the UJAS Strategy Document

14. The revision of the PEAP in 2004 provided the opportunity for donors to develop a strategy aligned with the Government's own development program. In July 2004, several UJAS partners discussed in a two-day workshop key opportunities and risks to PEAP implementation, a general program that partners would support, and the comparative advantage of each UJAS partner. In November 2004, the GoU issued the final PEAP and UJAS partners came up with the first comprehensive draft of the UJAS shortly thereafter. In 2004 and 2005 the UJAS document went through a series of broad-based consultations. More than 15 draft versions of the report were produced and commented on by GoU officials, Civil Society, non-UJAS donors, and the headquarters of UJAS partners. The main drafting and editorial function was taken on by the World Bank and DfID.

4. Central Elements of UJAS

15. The UJAS strategy document of 2005 represents another step forward for harmonization and overall aid effectiveness in Uganda. According to this strategy document UJAS:

- builds on the Partnership Principles and the Rome and Paris declarations;
- presents the strategic direction of the UJAS partners and aligns UJAS partners' programs fully with the PEAP;
- identifies the link between the different UJAS interventions and PEAP results;
- commits partners to important changes in behavior during UJAS implementation;
- presents a common assessment framework for determining levels of finance to improve the predictability of aid; and
- harmonizes the UJAS partner group's monitoring and evaluation requirements in line with the review of PEAP.

16. UJAS is centered on three principles. These are:

- Supporting implementation of the country-led PEAP to achieve the MDGs.
- Collaborating more effectively among development partners and with the Government.
- Focusing on results and outcomes (including improved resource management and decision-making for results).

17. UJAS partners would support the implementation of the PEAP in general, but focus on areas of special importance for achieving the PEAP's overarching strategic results. These areas are:

- (1) Strengthening the budget process and public sector management;
- (2) Promoting private sector development and economic growth;
- (3) Strengthening governance;
- (4) Improving education and health outcomes; and
- (5) Promoting the resolution of the conflict in the North and fostering the social and economic development of the region.

18. UJAS partners would finance the implementation of the PEAP through (1) budget and project support to the government, (2) support to the programs of civil society organizations, (3) assistance to the private sector, and (4) support channeled through U.N. agencies. Although some UJAS partners expect to deliver an increasing proportion of their support through direct budget support, all would continue to provide some assistance as project support. UJAS partners would also provide as much support as possible in the form of grants to enable the government to maintain public debt within levels that it can comfortably manage. UJAS partners understand "working better together" to mean increasingly using common arrangements to deliver aid and to achieve a more effective division of labor, with each concentrating its efforts in line with its comparative advantages.

III UJAS Relevance and Effectiveness

19. To what extent has UJAS so far been relevant and effective, particularly compared with the past coordination and harmonization processes in Uganda? To this end the following chapter will address (a) the value-added of the process as perceived by its participants, (b) key factors that contributed to or limited its effectiveness; and (c) the extent to which UJAS affects transaction costs by the Government and by donors, in the short- and longer-term. The chapter then continues with a discussion of the three most critical and contentious issues for donor harmonization and alignment in Uganda, the division of labor and selectivity among donors, modalities and instrument mix for assistance; and political and governance issues.

1. Overall Relevance and Effectiveness of UJAS

A. UJAS: Value-added

20. The UJAS document states that UJAS is a natural ‘next step’ in donor coordination and alignment, building on the past and moving it forward. From the mission interviews and the written replies to the questionnaires this review concludes that UJAS so far is regarded as very useful by almost all actors. While acknowledging that the process itself was rather unscripted and sometimes messy and realizing that a lot remains to be done most observers also see clear value-added in comparison to the coordination that existed before, i.e. they perceive a quantum leap in quality, dialogue, and donor-Government relationships:

1. Above all UJAS triggered an intensive process of incremental communication and alignment within the donor community. This is the highest value added according to many interview partners. UJAS led to the generation of a joint “platform” and separate negotiations were replaced by a roundtable, even if many details still remain to be worked out. UJAS committed donors to enhanced coordination, turf-sharing and selectivity, and to the acceptance of overall Government budget ceilings. The fact, that there is a UJAS is already a value in itself as a political message.
2. UJAS positions and aligns a number of donors and their programs more clearly and consistently with the PEAP, last but not least through the developed goal matrix and other mechanisms. More focus is given by committing UJAS partners to five priority areas in support of the PEAP (Ch. II, 4). While these priority areas should certainly guide priority investments, they are not restrictive. In all supported activities and programs UJAS partners can build on the Government’s excellent leadership in addressing gender issues in the 2004 PEAP. The UJAS document also emphasizes the importance of strengthened environment and resource management and more investments under Pillar II of the PEAP, including the planned establishment of a natural resource management SWAp in the latter half of the UJAS period.
3. UJAS has a strong focus on achieving and measuring of results, aligning the seven partners and their M&E requirements clearly with the Government’s annual PEAP review process, and with monitoring the achievement of the 10 Paris harmonization indicators (Box 2). The existence of a PEAP results matrix and monitoring framework facilitated UJAS considerably.

Box 2 - UJAS Targets for Harmonization (Paris Declaration Indicators)

No	AREAS OF HARMONIZATION	BASELINE ⁽¹⁾	TARGETS 2010
1	Aid flows are aligned on Ugandan priorities.	85 percent of total aid is reported on budget.	92 percent
2	Donors provide coordinated support for capacity-strengthening.	43 percent of technical cooperation flows are implemented through coordinated programs consistent with the PEAP.	50 percent
3a	Percentage of aid flow using Uganda's public financial management system.	77 percent of flows to the public sector use Uganda's public financial management system.	85 percent
3b	Percentage of donors using Uganda's public financial management system.	90 percent of donors use Uganda's public financial management systems.	95 percent
3c	Percentage of aid flow using Uganda's national procurement system.	72 percent of flows to the public sector use Uganda's national procurement system.	81 percent
3d	Percentage of donors using Uganda's national procurement system.	95 percent of donors use partner countries' procurement systems.	100 percent
4	Avoiding parallel implementation structures in Uganda.	39 parallel project implementation units in Uganda.	13
5	Aid to Uganda is more predictable.	91 percent of project and budget support aid flows disbursed within the fiscal year for which it was scheduled.	95 percent
6	Aid to Uganda is untied.	More than 90 percent of bilateral commitments are untied.	95 percent
7	Donors use common arrangements or procedures in Uganda	37 percent of aid flows are provided in the context of program based approaches.	66 percent
8a	Joint missions by donors to Uganda.	20 percent of donors missions to Uganda are joint.	40 percent
8b	Donors use joint country analytical work.	25 percent of country analytic work is joint in Uganda.	66 percent
9	A results-oriented framework in Uganda, focused on the government- led PEAP review process.	The performance Assessment Framework in the 2004/05-2007/08 PEAP is largely developed toward achieving good practice.	Uganda has a Performance Assessment Framework in the 2008/09-2011/12 PEAP that substantially or largely achieves good practice.
10	Mutual assessments of progress in Uganda in implementing agreed commitments on aid effectiveness.	No independent assessment review has taken place.	Uganda undertakes independent assessments annually.

⁽¹⁾ Note: Baseline figures are not reliable and will require verification.

4. UJAS is an important framework for promoting better governance and accountability. UJAS provides a political strategy framework with a joint risk assessment and performance indicators that will form the basis for decisions on the overall volume of support under various governance scenarios. This will provide partners with a substantially increased opportunity to act and react jointly viz-à-viz political and governance developments. The negotiations and talks that surrounded the political sections of the UJAS document and their monitoring were the most arduous ones among UJAS partners, as the understanding about potential political and governance aid conditionalities and risks varied substantially. But in the end both the AfDB and the World Bank for the first time accepted a country strategy document that relates political governance to investment scenarios.
5. UJAS documents the strong determination of Ugandan donors to implement the Paris agreements and indicators on harmonization.
6. UJAS commits donors and Government to reduce assistance related transaction costs in the long-run and to bring about substantial rationalizations and administrative savings. While it may take some time before pay-offs materialize they could potentially be large. Increasing the quality and predictability of assistance is another one. UJAS does not envision the generation of major new structures, but instead intends to rely on existing mechanisms and agreements (e.g. the partnership principles; donor sector groups, Government's own sector groups).

B. Donor Rating of the UJAS Process so far

21. Almost all donors in the mission's formal survey were satisfied or even highly satisfied with the UJAS process so far. Both the *extent of participation* and the *effectiveness of various partners* in UJAS were rated very positively, mostly between substantial and high. The *value added* of the process so far was rated as substantial or high by 6 out of 8 respondents. The lead donors, the World Bank and DfID, got very high marks for their engagement and effectiveness. The AfDB's contribution and effectiveness was rated modest to substantial.

22. For the most part, donors rated their own effectiveness in UJAS as substantial to high, although there were some variations, mainly depending on the degree of UJAS involvement. The extent of donor involvement in various UJAS related activities varied. Participation in UJAS coordination was perceived as generally high, noticeable even by two non-founding members participating in the survey.

C. Some Critical Factors for Effectiveness

23. Although there is a palpable sense of overall achievement and accomplishment among UJAS partners and others about progress made so far, a number of problems emerged during the process that readily admitted by everybody involved. Above all, it became clear that (U)JAS was uncharted territory. As UJAS was the first of its kind, the process was almost naturally slow. It took also somewhat longer than expected to take off as the third generation

PEAP was delayed and the major task team leader for the drafting of the UJAS was often out of the country.

24. It wasn't always clear how UJAS ultimately should look like, what should be emphasized and what not, and how various activities should be phased. The process was basically unscripted, implemented without a clear road map or guidelines from donor headquarters or elsewhere. Thus UJAS became more of an organic process, an *ad-hoc response* from the field to the Paris Harmonization agenda. Consequently, responsibilities and decision-making procedures in UJAS were not necessarily clear from the beginning. Nevertheless, the UJAS process quickly intensified, but invariably was described by most active participants as '*painstaking*' and '*painful*'.

UJAS leadership and inclusion

25. The UJAS process wouldn't have been launched or wouldn't have led to the successful agreement on a joint UJAS Strategy Document had it not been for the dual leadership of the World Bank and the UK Department for International Development (DfID). DfID plays traditionally a major role in the Ugandan donor community. AfDB's Country Director described these two agencies as almost natural mid-wives of UJAS, as they (1) play prominent roles in the PRSC process and provide substantial budget support to the Government, (2) are dominating in the volume and quality of analytical work in Uganda, and (3) have macro-economic integrity as one of their major development goals.

26. While in the beginning the active participation of other partners in the development of a joint strategy document was not frequently called upon by these two lead agencies, the process became considerably more consultative and inclusive in the later phase. This was a learning process for all participants, and there is now broad agreement on the importance of inclusive leadership from the start.

Disagreements and competition among donors

27. The early dominance by WB and DfID and relatively low levels of consultations with other donors led to suspicions by some donors that UJAS was mainly a World Bank/DfID instrument to impose certain macro- and sector policies and priorities on other donors and to ultimately increase their leverage on the Government. This perception only changed when consultations became more regular and other donors managed to bring in and push through critical aspects of their own often divergent agendas.

28. There apparently were substantial disagreements on specific policies and strategies among donors that needed to be recognized and constructively dealt with. A major problem is that in Uganda there is quite a bit of competition for funding of Government programs and projects, as Government budget ceilings are very strict, particularly in favored sectors, such as social development and governance.

29. All this affects how donors collaborate and interact in the UJAS. The existence of (short-term) incompatibilities in objectives and opinions, different short-term interests, and the importance of politics in donor relationships needs to be acknowledged and addressed heads-on through developing institutional mechanisms for fostering dialogue, resolving conflicts, and consensus building. While a certain competition is always useful, unhealthy

posturing, conflict, and backroom dealings can undermine common objectives and become quickly counterproductive.

How did UJAS deal with disagreements and competition among donors?

30. UJAS dealt with disagreements and competition among donors as follows:

- The process gave ample, though time-consuming, opportunities for consultations and negotiations with all interested partners (>15 drafts of the UJAS document were circulated for comments and review).
- Some aspects of the strategy remained purposively vague in order to get everybody on board. The result was a consensus document. At the same time the emphasis was on first getting partners committed to basic principles, e.g. the principle of the division of labor, before going on to details in how to go about implementing them.
- Several important decisions were simply postponed to 2006, particularly the controversial division of labor and mapping of comparative advantages among donors, after the approval of the main strategy document by most interested donors.
- Although the fact that UJAS does not include all major donors in Uganda among the initial group of signatories (e.g. the EC, JICA, USAID, or the UN system opted to stay out) could be seen as a limitation, it may have turned out to be a blessing in disguise. It kept the number of donors manageable and additional complicating issues at bay.

2. Donor Preparedness and Readiness: Rationale for UJAS Participation

31. By December 2005 seven donors had signed up more or less officially to UJAS, and several others, among them the EC, showed interest in joining soon. Main criteria and pre-conditions for joining UJAS are a commitment to the UJAS strategy document and its main principles and goals, as well as harmonization indicators. UJAS is currently not expected to necessarily cover all donors even in the long-run, but some donors may be co-opted in certain activities and levels of engagement may vary. It appears that some donors' administrative procedures and strategic priorities are just not yet flexible enough to accommodate even the relatively general and broad principles of UJAS. In sum, there are those donors that are current members, those that are intent on joining, those that are unlikely to join, but are interested in cooperating in certain fields, and those donors that show relatively little interest.

General factors for non-participation

32. Several factors explain the various levels of interest in and commitment to UJAS. For instance, some non-participating donors (such as USAID, France, and Italy) channel most or all of their aid through channels outside of the Government; they rather use private, civil society, or their own official channels. This limits the usefulness of heavy involvement in

UJAS, particularly for reducing Government transaction costs. Some donors have separate coordination mechanisms, such as the UN with UNDAF, which may fulfill at least some of the functions of UJAS. Or they may, like the EC, be in principle interested, but face high bureaucratic hurdles, or currently be more pre-occupied with other coordination tasks (such as the EC's concern of coordinating EU Member Country strategies). Some donors simply fear that they ultimately may lose too much control over allocation of funds, may have to subscribe to 100% direct budget support rather than projects, or may have to follow suit on joint political decisions that they may not favor. These concerns exist although UJAS is not a legally binding arrangement or contract.

Factors facilitating and constraining participation

33. Being prepared in one or the other way may have played a major reason for joining UJAS or not: of the eight donors who responded to the survey those who already are UJAS partners were well prepared, the rest had only been modestly or poorly prepared. Overall, joining in UJAS was facilitated by the following factors:

- UJAS participation was clearly easier for those donors with strong support and political will from their Headquarters to implement the various past international Declarations on Aid Effectiveness, Harmonization and Alignment.
- A high degree of decentralization to Country Offices helped, but still alone was insufficient without above mentioned the political will, support, and compromises from Headquarters on corporate requirements and program/sector priorities.
- Important other reasons included positive experience with prior donor coordination in Uganda and widespread recognition of the usefulness of a joint country strategy.
- For several donors the fact that Country Program Cycles had come or were coming to an end was definitely conducive to participation.

34. Participating in UJAS and carrying the process forward was made easier by the following conditions:

- One of the main factors that reportedly kept the process going was the dedication and personal motivation of many individual donor officials on the ground who were often supported by networks of partners in the region.
- Clear country strategies, extensive sector working group participation, and technical know-how enabled negotiations about shared priorities and strategies under UJAS.
- Awareness of GoU commitment to donor harmonization and alignment was instrumental, as was the expressed readiness of the GoU to take lead on the division of labor among donors after the basic strategy document would be completed.

35. In contrast, several factors made joining and participating in UJAS less likely:

- Missing clarity by some donors on where the process was leading, specifically on prioritization methods, programmatic focus, and defining comparative advantages.
- Non-subscription to the main goal of moving more towards DBS was seen as constraining factors for support.
- Having to consider other institutional commitments and aid coordination mechanisms (e.g. international agreements) prevented stronger engagements.
- Resource and capacity constraints in Country Offices may have been the most limiting factor that kept some donors from a more active role in UJAS, and from drawing on lessons learnt on the process in the region. This includes limited time, technical know-how and expertise, and knowledge.

3. Ugandan Context for UJAS and Government Support

36. As already mentioned the Ugandan context was very conducive for UJAS. Over many years GoU had prepared the ground and a number of important pre-conditions for UJAS were in place when the process started in 2004, among them the second generation PEAP (PRSP), with preparation of the third generation PEAP finalized in 2005; the partnership principles; PRSCs and mature SWApS that existed in health, education, water, and other sectors; a relatively solid and well-reputed public finance management system; and several elements of a central M&E system.

37. The fundamental support of the Ugandan Government for UJAS was instrumental for successful conclusion of the strategy document. The Government preferred not to be directly involved in the initial phase of the UJAS process and the development of the UJAS strategy document (or even leading it as in other countries) but rather focused on the finalization of the PEAP III in 2005. But the central ministries and departments of the Ugandan Government provided constructive comments and moral support for UJAS.

38. There was some criticism on the inadequacy of Government involvement in UJAS by a 2005 EC consultant report on JAS in three countries (Zambia, Uganda, and Tanzania). The report argued that UJAS was mainly donor driven in Uganda and that the ‘tandem’ of the Ugandan Government developing PEAP (III) and donors developing UJAS had not been conducive to solve manifold problems. The report also saw active involvement by GoU in the division of labor by donors as a precondition for progress, and faulted the UJAS partners for not having involved the Government more strongly in the initial process. In the view of this Review the UJAS Team correctly argued that GoU’s engagement and interest in harmonization is strong and that the Government has a proven track record of leadership in harmonization. The Government just preferred to only get involved in UJAS at a later point, when its role would become more urgent, particularly in settling the division of labor issue and addressing critical governance issues.

39. In the Review survey the majority of donors (five) saw a substantial readiness by GoU for UJAS, in terms of capacity for planning and budgeting, implementation, and monitoring and evaluation of the joint strategy, while three donors were less confident. For those viewing its readiness positively, the major reasons were the long history of leadership of GoU of the harmonization agenda, a mature PEAP (PRSP) and a number of sector policies, comprehensive partnership and coordination structures, and a keen interest by the Government on reducing transaction costs and simplifying reporting requirements.

Harmonization – the institutional landscape

40. Donors in Uganda meet every month in the *Local Development Partners Group* (LDG) to discuss economic and governance issues. They also come together as *Partners for Democracy and Governance*⁷ to discuss the key political governance issues in Uganda, although this latter group does not include the World Bank and the African Development Bank. This group addresses in particular anti-corruption, human rights, and democratization questions, and focuses often on the unrest in Northern Uganda. There also is a smaller “*like-minded group*” comprising Scandinavian countries, the Netherlands, the UK, and Ireland.

41. For sectors special donor Sector Working Groups (SWG) exist. Their task is to prioritize sector action plans and to produce annual sector reviews and budgetary frameworks. They include the Government (Permanent Secretaries), donors, and civil society. The most active ones are those for education, health, water and sanitation, agriculture, local Government, and governance. Others are just being established (e.g. energy infrastructure). It is estimated that altogether 35-40 working groups and sub-groups with immediate relevance for donors exist in Uganda. In addition, some line ministries have internal consultative committees, led by the Permanent Secretary. Some sectors have separate M&E working groups for decisions on studies, indicators, measuring progress etc..

4. UJAS Effects on Transaction Costs

42. Over a long period Uganda has experienced high transaction costs from aid, especially from project support of individual donors⁸. For example:

- The Government has to spend considerable time hosting and supervising a multitude of project missions, often scheduled to suit the timetable of donors rather than Government.
- Aid in Uganda has often resulted in new systems that paralleled existing government systems. While these helped in implementing projects, they did little to build capacity.
- Donors often have procedures and requirements very different from each other, putting a strain on government staff.

⁷ The Partners for Democracy and Governance is a group of 16 development partners: Austria, Belgium, Canada, Denmark, France, Germany, Ireland, Italy, Japan, Netherlands, Norway, Sweden, U.K., U.S., EC, and UNDP. The objective of the group is to support actions and programs that deepen democracy and facilitate the transition towards greater political pluralism in the period leading up to and during the 2006 elections; and that promote human rights and good governance.

⁸ 2005 UJAS strategy document

43. Thus one of the major objectives of harmonization in Uganda is the reduction in transaction costs for the Government. Of secondary concern are the costs the harmonization process may accrue to donor agencies compared to “business-as-usual”, particularly costs associated with coordination and adjustment of programming and procedures during the transition period. Short- and long-run costs and savings need to be carefully distinguished and balanced.

Long-term Government transaction costs

44. At this stage, not much can be said about future savings for Governments under a fully implemented UJAS. In the survey administered during this Review half of the donors could envision potential savings for the Government in the future of up to 25-50%, while two donors expected things to stay pretty much the same as they are now, and two felt not able to comment on this question. But the Government will have to make substantial investments in improving its policy and program management systems, ie. fiduciary and M&E systems, before being able to reap the benefits of reduced transaction costs.

Short-term UJAS transaction costs for donors

45. The majority of donors participating in the Review survey estimated that in comparison with traditional country strategies and programming UJAS may initially take at least up to a quarter more time and costs than regular programming. In order of importance costs mainly consist of:

- (1) coordination meetings;
- (2) reaching consensus on major issues and related discussions;
- (3) reviewing documents;
- (4) dealing with headquarters in compiling information that’s usually not required for donor specific country programs, adjusting procedures etc.

Some donors expect that with the operationalization of UJAS in the near future real administrative costs may increase even further, for the following reasons:

- (1) donors will have to deal with new formal cooperation agreements among themselves;
- (2) cycles will have to be harmonized;
- (3) joint criteria and triggers will have to be developed and negotiated; and
- (4) administrative and legal issues of “joint” supervisions, evaluations etc. will have to be dealt with.

46. Although in the short- to medium-run UJAS may require some additional outlays and time for developing the joint country strategy document as well as for laying the administrative and legal groundwork for long-term cooperation, few donors expect major complications and delays in carrying out business and disruptions in internal processes.

47. For AfDB the country office anticipates that the UJAS process will not entail any higher transaction costs than are engendered by the traditional Country Strategy Papers. The process could actually be more effective and efficient for the Bank and the Government as part of the work and costs involved may be taken on by third parties (e.g. for Economic Sector Work). Practical experience over the past two years from one of the UJAS donors

(Ireland) also showed that some donors may be able to largely reduce expensive Technical Assistance and project administration costs through more reliance on joint assessments, planning, and direct budget support.

48. Most respondents strongly argued that they definitely expect long-term benefits to substantially outweigh these and other initial costs, both in terms of savings for donors as well as for Government. Thus the extra transaction costs of preparing the UJAS in the short-run should not be seen as "wasted time and money". They should be interpreted as the real price for this pioneering work, as investments into donor harmonization.

Reigning in short- and medium-term UJAS transaction costs

49. Some suggestions were made on how to reduce transaction costs for donors in UJAS:

- by generating more economies of scale in the overall JAS process, ie. by better learning from the process in other countries and multi-country, regional exchange on implementation of harmonization;
- by providing more central headquarters support and copying of interagency cooperation agreements;
- by relying as much as possible on Ugandan institutions and processes and aligning ever closer to the PEAP and to the MTEF
- by identifying a clear central point for managing UJAS implementation, both for leading the process as well as liaising within each participating donor agency.

50. There always is a risk that new structures will be created, such as a UJAS secretariat etc., while parallel structures remain in place, adding to the transaction costs. UJAS has to avoid becoming a harmonization tool for its own sake, getting a life of its own with complex planning, review, and implementation process. It has to remain well integrated into the overall existing Ugandan processes.

5. Harmonization Among Donors and with Government

51. Three major harmonization issues and challenges currently stand out among donors in Uganda, namely the division of labor, the best mix of aid modalities and instruments, and governance. They will be addressed in the following.

A. Division of Labor, Selectivity, and Comparative Advantage

52. Division of labor and selectivity are acknowledged in the UJAS document as a major challenge: 'Disengaging from sectors proved difficult for many UJAS partners. The issue of who decides who has the comparative advantage in any given area was difficult to address. A further challenge is how shifts in comparative advantage over time can be accommodated.' The donor division of labor in specific sectors is complicated as Uganda has a large number of active donors with often similar priorities. This leads to overcrowding of certain sectors, particularly social and governance. Moreover, the absorptive capacity of Uganda for foreign

assistance has been reached, which generates competition among donors for scarce funding opportunities.

53. There were several reasons for deliberately postponing a final decision on the division of labor until after approval of the UJAS strategy: first and foremost, the need for Government involvement and clarification on the issue; second, the fact that other major donors who are not yet UJAS members would have to become actively involved; and third, the realization that this sticky issue should not hold up other important tasks and activities. According to at least one donor, the UJAS process almost collapsed over the question of selectivity and comparative advantage. From experience in Zambia and Tanzania it also is not apparent that more Government involvement alone could have helped. Government engagement may be necessary but not sufficient on its own. A study on comparative advantage was carried out not too long ago by the Kampala based Economic Policy Research Council (EPRC), but wasn't methodologically sound and couldn't be utilized. This failed study underscored the need for clear and agreed on criteria and processes for decision-making on this issue.

54. Three sets of questions appear to be standing out in terms of donors' division of labor, selectivity (or sector concentration), and comparative advantage:

- (1) What constitutes 'comparative advantage' and what criteria should be used for donor sector focus? How should sectoral leadership be defined and determined?
- (2) What should and could the role of Government be? What's the Government's position on the division of labor among donors? Should Government or individual donor standards apply (Who should have the 'last say')?
- (3) How can donors within their own agencies reduce barriers to more sector concentration and ease the withdrawal from some favorite sectors that are overcrowded?

Criteria for division of labor

55. There is little clarity in Uganda about what constitutes comparative advantage in a sector and who should determine it. Several donors argue that traditional donor presence in a sector, combined with a certain reputation of quality, effectiveness, sector know-how and experience provides a very good criteria. But not only country specific, but also overall agency focus should be considered. Therefore a specific donor's past or current volume or size of operations in a given sector should not be the only consideration. Several donors argued that silent partnerships may be the best way out of the dilemma of overcrowding, particularly when institutional constraints wouldn't permit full withdrawal from certain sectors. For AfDB this might mean that it could and should play a larger role in infrastructure development and water, while possibly becoming a silent partner in the social sectors and agriculture.

Taking on sector leadership

56. There appears to be a vague consensus that donor leadership in sectors should continue to rotate on a 1-2 year basis, a practice followed so far. To take on a coordinating or

leadership role not only requires funding and additional staff time, among others for organizing meetings, maintaining dialogue with partners, or organizing and financing sector reviews and retreats. A longer tenure also may encounter a certain amount of mistrust among partners as it may lead to a single donor agency dominating the sector and its agenda. Readiness, not just willingness, for leadership plays a large role. For instance, in the water sector AfDB until 2005 had been co-chair with a good prospect of taking over the annually rotating leadership in 2006, but in the end had to decline as resources didn't permit a leading role.

Government role

57. While the Ugandan Government in principle is willing to lead on this issue, it still has to gain more clarity on what's required and its own positions and views. Basically the Government would like to see no more than 4-5 donors in each sectors (plus silent partners). Currently some sectors (e.g. social sectors) have up to 25 partners. But GoU also has to take into account differing views on donor selectivity within its own ranks. The Ministry of Finance, the Prime Minister's Office, and the Sector Ministries apparently differ in their opinions on the issue. The Ministry of Finance emphasizes long-term planning needs and spreading the risk of donor delays or default in a certain sector by having a larger number. Sector ministries are interested in donors that are in line with or rather accommodating to specific sectoral needs and wishes, and above all, that are easy to deal with. In practice, all this works in favor of more rather than fewer donors in each sector, even if there may be duplication and some ineffectiveness. The Prime Minister's office prefers that donors divide by the five pillars of the PEAP rather than sectors, thereby emphasizing a focus on major PEAP results rather than sector outcomes.

58. Ugandan donors differ in their opinion on the optimal role of GoU in the division of labor. While DfID expressed its preference for Government lead in sector selectivity, the AfDB CO suggested during this Review for donors themselves to take a first cut - while soliciting Government views. Other donors doubt that the Government can at the moment take a lead role, particularly given the precarious political situation, but there is hope that the situation may have changed after the Feb. 2006 elections.

How to proceed

59. At the time of the field work for this review in December 2005 no clear concept existed among donors or the Government on how to move forward on the critical issue of division of labor. But several suggestions were made during the Review:

1. It may be useful to start with a more systematic and critical self-assessment by donors, particularly those already in UJAS or intent to join.
2. For most donors their headquarters would have to play a strong role in restraining sector engagements and becoming selective; this may mean compromises to accommodate country specific circumstances and negotiations with other donors at higher levels, above the country level.
3. Different models should be played through and they don't have to be the same for each sector.

60. These suggestions are indicative, not comprehensive. As usual in such cases where decisions are difficult and likely to be controversial, it may be useful for all donors and the Government to agree on the process first, on major criteria for selectivity, and major goals by sector. Then discussions about specific donor roles could follow.

Sector focus of UJAS

61. Related to the difficult discussions on the division of labor and the postponement of a decision on this issue there has been relatively little sector focus in UJAS so far. In the run-up to UJAS sector officials could have worked better together, for instance to form strategic alliances among donors, and further develop best practices and interventions. This appears particularly relevant for AfDB which lacks in-country technical expertise. Teaming up with bilaterals, as was done with German Cooperation in Water and on Vocational Training, may yield high benefits for both sides. In sum, much more could be done at sector level to (i) align development partner support, including through projects, with sector priorities agreed with the government, (ii) provide assistance predictably, (iii) complement support provided by others (including through selective choice of aid modality), and (iv) harmonize development partner assessments with a government-led review.

B. Modalities for External Assistance

Financing mechanisms in Uganda

62. The question of how to deliver assistance most effectively has been a major topic of UJAS. Basically, four different financing mechanisms currently exist for channeling external assistance in Uganda, through the central Government budget:

- (1) General budget support (GBS), non-earmarked, which is officially the '*preferred*' mode by the Government.
- (2) '*Earmarked*' budget support, which is targeted general budget support, for instance financial support provided for the Poverty Action Fund (PAF) or for specific sectors in the PRSC.
- (3) Multi-donor holding accounts, which are used for disbursing funds upon request for specific programs and projects but remain under donor control; this is a flexible instrument, yet more predictable than project support. It allows more ties than general or ear-marked budget support.
- (4) Project specific funding, the more traditional mode, but fully included in the MTEF and usually part of sector plans.

63. Donors in Uganda reportedly don't make much use of "*basket funding*". In addition, several bilateral donors and the UN channel at least part of their support directly through non-governmental organizations, private service providers, or other institutional channels, particularly for providing assistance in the crisis region in Northern Uganda.

UJAS policy on aid modalities

64. Discussion in UJAS on aid modalities centered around the question of how much assistance should be provided through budget and non-budget support, ie. the first two modalities mentioned above. In the end partners' intentions in terms of preferred aid modalities were expressed in the UJAS document as follows:

'Collectively, [the UJAS partners] will channel a greater proportion of their assistance through coordinated budget support, SWAps, and basket funding arrangements, assuming that the government maintains a favorable policy framework. The number of stand-alone projects outside core sector programs will be reduced. Project aid will still be used to support activities such as capacity building and institutional strengthening, community-driven initiatives, provision of humanitarian aid, and support for privately financed infrastructure investments. All project aid, except that channeled through NGOs, U.N. agencies, and the private sector will be integrated into the MTEF.'

Furthermore, the Executive Summary states that: *'Although some UJAS partners expect to deliver an increasing proportion of their support through direct budget support, all will continue to provide some assistance as project support.'*

65. While this constitutes a clear pledge for more direct budget support under the conditionality of a favorable policy framework, it also keeps the doors open to continued project funding, at least in certain areas. But it restricts the full range of traditional project options for institutions like AfDB.

Budget process

66. Annual budget ceiling To ensure macro-economic good governance as well as efficient utilization of funds (absorption capacity), all Government expenditures in Uganda have to be accounted for in the medium-term expenditure framework (MTEF), including project support funds. The MTEF sets strict annual ceilings for the Government budget as a whole, as well as by sector. This results in a *displacement effect* whenever additional funds are coming in. In this context of budget spending ceilings it is common that line ministries in Uganda continuously try to raise additional project funding with the hope to exceed the MTEF limits of their respective sectors.

SWAp's

67. Extensive sector planning and budgeting through sector working groups is common in Uganda. Sector-wide approaches (SWAp's) – although they may not be called that way – are the rule in several sectors, particularly the social ones. A SWAp in this understanding includes among others:

1. A process of agreeing on sector priorities and strategies;
2. Budget allocations through regular programs or projects that support these sector priorities;
3. Respect by all actors (Government, donors, and NGOs) for these priorities;
4. Streamlining of processes, particularly vis-a-vis implementation and rationalization of incentives (per-diems, perks etc.);

5. Provision of predictable and reliable financial support for the sector priorities and strategies, via general and targeted budget support or projects.

Preferences by GoU for budget versus project support

68. There are different positions and preferences within the Government of Uganda for general budget vs. project support. There are also indications that official Government statements on the matter may not reflect all the nuances of thinking among its various branches and actors. In principle, the official policy of the Ministry of Finance (MoFPED) is to channel as large a share of assistance through GBS. But the Ministry also realizes that funds channeled through projects under some conditions could be more reliable than GBS, particularly in times of political crises or major disagreements with donors, and when GBS is the first instrument for potential donor budget cuts.

69. Line ministries often apparently still prefer project support. They may recognize some positive aspects of GBS in terms of higher predictability, stronger long-term goal orientation, harmonization and in particular recurrent expenditure funding. On the other hand, project funds may provide more flexibility for addressing specific sector priorities and projects than regular funds, sometimes addressing more short-term political priorities that often are important aspects of the democratic process. Projects definitely facilitate the pooling and securing of funds and expertise for specific investments of high technical or political priority; and they can often ensure more effective implementation by directly covering operational costs and avoiding budget diversions. Project funds also tend to provide more special incentives and perks. As mentioned earlier line ministries in Uganda also operate under the assumption to be able to surpass sectoral budget ceilings by attracting more project funds to their ministries.

Public sector management

70. UJAS mentions a favorable policy framework as a conditionality for assistance. But there is little discussion in the strategy document about the critical governance issue of sound public sector management. Fiduciary accountability and M&E of development outputs and outcomes deserve more attention, as the capacity of the Government for effective action in these areas is weak.

71. Reportedly, civil service and pay reform in Uganda have been on the Government agenda for a while, but are short of completion. Public service enhancement programs exist but their implementation has been lukewarm over the past couple of years. While improved governance and public management are strongly supported and promoted by many technocrats in key Government agencies, particularly in the MoFPD, resistance to reforms and political interference at higher levels as well as skepticism in a number of line ministries are not uncommon. Yet, for donors such as AfDB the problems of public management capacity and accountability loom large when project implementation units are disbanded while the overall Government systems are not yet strong enough to step in.

Public Financial Management and Budget System

72. Above all, the public financial management system needs further assistance and improvements in order to function effectively. Various reports have pointed out that the institutionalized fiduciary systems are still deficient. The requisite institutions may exist but

are not necessarily functional. A procurement authority may be in place, but not be able to work effectively as there is too little skilled and motivated government staff in the system. The Public Finance Management Sub-Theme Group is skeptical of progress made so far. The fact that Uganda failed on meeting PRSC requirements in 2005 which actually had been waived in the previous year resulted in a subsequent cut of the PRSC by 10%. This clearly signalizes weakness in the system. It is also worrisome in this context that the Transparency International Governance Index for Uganda fell in 2005.

Towards better information for decision-making and budgeting (M&E)

73. Under the Office of the Prime Minister's leadership an impressive PEAP M&E system has been established over the past five years (NIMES), which, when fully functional, will go far beyond simple MDG monitoring which was its initial goal. While basic periodic poverty monitoring and sector outcome assessments now are being carried out more or less satisfactorily, many new challenges arise for the system with implications for UJAS. They include (1) better linkages of programs and budgets to results (results chain), (2) better utilization of information for strategic decision-making, incl. performance-based budgeting, (3) better monitoring of risks and early warning, and (4) better information for a 'people-oriented' programming and budget policy.

74. As all over sub-Saharan Africa, the real challenge of M&E in Uganda lies in operationalizing and implementing the system: at national level, in the sectors, and in decentralized units, such as local governments. Currently there are many unanswered questions on M&E, and the capacity and resources are clearly not there. The system is impressive paper, but a little bit of an empty shell right now. Above all the system needs more balance and clearer responsibilities, i.e. a clearer delineation and sharing of work between the Uganda Bureau of Statistics (UBOS) and the line ministries; between national and local level institutions; between the public sector, civil society, and academia. Incentives and disincentives in the system need to be clarified, priorities to be set, capacity built at all levels, not only for data collection but above all for analysis and dissemination.

75. It may be useful if UJAS partners would embark on a concerted effort in systematically but highly selectively fostering M&E implementation which - as experience in other African countries has shown over the years - rarely receives sufficient funding and attention from regular Government resources and is highly skill-intensive.

C. Governance and Political Dialogue

Worsening governance in 2005

76. Over the course of 2005 most UJAS partners and other donors perceived a general worsening of public sector management and governance in Uganda, which many attributed to the upcoming general elections in Feb. 2006 and related handouts and favors for the electorate. Poor governance was reflected on the administrative side among others in 12.9% higher expenditures for the Public Administration Budget in 2004/05 than planned. Poor management of decentralization was another example: here political measures were taken against technical advice. More than 20 new districts were generated by the Government with significant impact on public finances, at the same time the districts' main income source (head tax) was reduced without proper substitution, undermining their effectiveness. Most

critically, the arrest of an opposition candidate for the upcoming elections caused a major political uproar in late 2005.

77. Political uneasiness had already led to an outspoken and highly critical letter by President Museveni to the British Government in May 2005. In this letter he addressed the perceived unfairness of international trade, political interference by donors, and aid dependency. The letter was made public by the Ugandan Government in Dec. 2005.

Risks and risk mitigation in UJAS

78. Poor governance was one of the main program risks identified by UJAS partners. According to the UJAS document PEAP and UJAS implementation risks include those related to (i) the political transition, (ii) poor governance, (iii) inadequate protection of human rights and limited access to justice, (iv) continuing conflict in northern Uganda, (v) weak public sector capacity, (vi) high population growth, and (vii) external shocks. The UJAS proposes a number of measures to mitigate the risks, among others lower levels of assistance in case of poor governance. Thus a worsening of the enabling environment would trigger a low-case scenario for assistance and it would be expected that all partners respect such a lowering of aid, although the policy and UJAS are not legally binding.

Box 3 - Scenarios for governance driven levels of assistance

Base case scenario The base case scenario assumes that the government continues to successfully implement the PEAP, and envisages the provision of support at levels of the recent past. Under this scenario the partners will support operations in key areas identified in the PEAP. They will complement these operations with analytical work and policy dialogue to build institutions and strengthen capacity in key areas and to provide the foundation for future support.

High case scenario To accelerate progress in attaining PEAP objectives and MDGs, or to assist with rehabilitating the economy of the north, UJAS partners will move to a high case scenario if they and the government agree that the country's general conditions allow for an increase in resource flows, and that additional resources will be used effectively to promote accelerated growth and poverty reduction. Under this scenario, UJAS partners would be ready to support additional public investment, especially in roads, regional infrastructure, energy, and community and rural development projects.

Low case scenario A low case scenario would be triggered if performance in economic management deteriorates significantly, the commitment to a pro-poor policy agenda declines, conflict within the region resurges, or commitment to improve governance and enhance public financial management falters. For some UJAS partners issues concerning the political transition and human rights are also important. Some may shift to a low case scenario if political transition falls short of being free and fair or if human rights are abused. A move to a low case will be gradual and follow intensive discussions with the government to ensure that core priorities of the PEAP are not sacrificed.

Punitive aid cuts

79. As a punitive step in response to the worsening governance situation many donors imposed over the course of 2005 some cuts in Direct Budget Support to the Government, totaling about US\$ 40-50 million⁹. Insiders quickly pointed out that some of the cuts were just a reduction in the planned *increase* in aid and therefore not real cuts, and others mentioned that these cuts would have to be put into perspective with the future gains from the \$3 billion in debt relief expected for Uganda in the coming years. The cuts were discussed extensively in the Local Donor Group and among UJAS partners. Of the seven UJAS partners only AfDB did not impose any reductions in assistance (it should be mentioned in fairness that several other non-UJAS donors did not reduce their aid either).

80. The cuts caused many discussions among donors about implications for joint donor actions under UJAS and implications for individual donors. Different assessments of the risks posed by poor governance created tensions among some UJAS partners, making it difficult to draft a strategy acceptable to all. Although there had not been a formal joint decision on how to go about the cuts AfDB's inability or unwillingness to contribute was not well received by several partners and led to questions how similar situations in the future should be handled in a UJAS context.

Role for Civil Society

81. In several interviews for this Review partners expressed their concern that the threat of the politicization of public funds, graft, and bureaucracies capturing a large part of the gains of foreign assistance is on the rise. In view of the limited capability and readiness of Government for effective program implementation and monitoring the role of Civil Society in policy development, implementation, and monitoring of development effectiveness, political decision-making, and governance is fully recognized in Uganda and already supported by several donors.

82. But Civil Society is not (yet) an institutionalized part of the ordinary process of policy design and implementation, and is not always invited. This is not just a matter of neglect or even purposive/willful exclusion, but also a consequence of the nature of decision-making, which according to one Civil Society representative interviewed during this Review, is often not very interesting. Policy processes usually take a long time and many efforts, with relatively few tangible results for ordinary citizen. Processes around the PEAP reportedly can be very technical, and participation may require special technical expertise. Most of all participants often experience a lot of "*Policy Evaporation*", which means that the end product doesn't reflect participants' inputs well. All these factors limit the participation and enthusiasm by Civil Society in policy design and implementation on a regular basis.

83. Decentralized, coordinated poverty monitoring systems have already been set up involving Civil Society at large and '*alternative M&E*' apparently is being taken serious in the country. This is important as there is reportedly a lot of ignorance about how the resources pumped into poverty alleviation affect life on the ground. Although such a

⁹ This included a reduction by the World Bank of the overall country budget (portfolio) by 15% (based on CPA indicators), a cut of PRSC5 by 10% (i.e. US\$ 15m); DfID by 20%; by the Netherlands of Euro 6m, Ireland Euro 3m.

‘watchdog function’ by civil society is in principle recognized by all actors, it is difficult to practice. A “corruption culture” is slowly creeping into Uganda’s Civil Society, too, as several interview partners critically reported during the Review. For instance, it is apparently hard for Civil Society and others to gain Government contracts without some forms of kick-back, which means that so called “commissions” now start to become institutionalized as budget lines in many of these agencies’ proposals. This is particularly worrisome as procurement is the biggest area where all the corruption takes place. The perennial questions of ‘Who watches the watchdogs?’ and ‘Where do they get their money from?’ may have to be revisited in Uganda.

IV AfDB Effectiveness in UJAS

1. AfDB Strategy and Portfolio in Uganda

84. The strategic objective of the Bank Group’s operations from 2003-5 had been the promotion of rapid economic growth and poverty reduction, against a background of strengthening good governance to reinforce development effectiveness. The priority areas of intervention during that period were: (i) agriculture and rural development; (ii) transport; and (iii) capacity building. The new 2005 AfDB Country Program under the common development financing framework of the Joint Assistance Strategy (UJAS) as approved by the AfDB Board on December 19, 2005 now plans to assist Government by supporting sectoral policy-reforms as well as stand-alone investment projects as follows.

85. Under the base case scenario the lending amount for 2005-7 will be UA 115 million and grants UA 90 million. The public sector strategy articulates a mix of lending and grant financed operations, focused on two of the five ‘pillars’ of the PEAP. It is proposed that the pillar “Enhancing Production, Competitiveness and Incomes” will receive 46% of resources, the pillar of “Human Resource Development” will receive about 40%, while the remaining 14% will support the pillar “Governance” (civil service reform). The Country Program deploys the three assistance instruments of budget support, physical project investments, and analytical studies (Economic and Sector Work). Budget support will mainly consist of grant contributions for agriculture, water supply and sanitation, and a loan for Civil Service Reform. Project-based investments are geared towards loans for infrastructure (power, roads) and grants for social sectors (education, health) (Table 1). The main elements and sector priorities of this strategy were discussed and coordinated with UJAS partners.

Table 1 - Proposed AfDB Investments in Uganda Joint Assistance Strategy 2005-7

	Total	Loans	Grants
	(million UA)		
Total	205	115	90
Project Mode	115	75	40
Infrastructure (Power, Roads)	75	75	
Social Sector (Health, Education)	40	0	40
General Budget Support	90	40	50
Agriculture (Poverty Action Fund)	20	10	10
Water Supply and Sanitation (special account)	40	0	40
Civil Service Reform (policy-based)	30	30	0

2. Effectiveness of AfDB in UJAS and Harmonization

AfDB involvement in UJAS

86. AfDB got effectively involved in UJAS in Oct. 2004 after the re-opening of the Uganda Country Office. During the course of 2005 the UGCO rapidly increased its participation in UJAS. AfDB signed the Partnership Agreements with the Government of Uganda in May 2005. AfDB was very active and instrumental in shaping the UJAS and moving it forward. It was after Germany the second donor, and the first multilateral donor, to approve the UJAS as its main Country Strategy Framework in December 2005.

Preconditions for AfDB effectiveness

87. AfDB's effectiveness in the UJAS and the overall harmonization process in Uganda depend largely on its capacity for policy and sector dialogue and its readiness to be a team player in the country. Much depends on the human and financial resources in the UGCO, but also on the leadership and willingness for programmatic, administrative, and strategic alignments of the Bank's projects and programs.

88. The GoU as represented by the Permanent Secretary (PS) of the MoFPED expressed its appreciation during this Review for the way AfDB has been operating in the country, particularly in the last year after the opening of the new Country Office, and welcomed the Bank's participation in UJAS. The PS also pointed out some areas for possible improvements, mainly in procurement and disbursement, by calling for more decentralized decision-making and delegation of authority to the Country Office¹⁰. In the context of UJAS the Uganda Government expects that AfDB - as an African Institution with GoU as a major shareholder - bring in particular African aspects and views to the donor dialogue.

Progress in AfDB's country dialogue and portfolio management

89. According to all major UJAS partners and several other donors AfDB has made major strides since a peer review led by Norway about a year ago saw Bank operations in the country as unequivocally negative, and an internal DANIDA report on performance of multilaterals in Uganda labeled AFDB as 'difficult to work with' due to its project modalities and the way financing was coming in, or rather not coming in. AfDB was also seen as often operating outside of joint Government and donor structures. These days donors see clear improvements in AfDB portfolio management, monitoring, and sector dialogue, particularly after the opening of the Country Office, although some major problems remain in the way AfDB operates. Some of these will be detailed below.

90. According to these donors the AfDB CO has clearly become an important partner in the Ugandan policy dialogue and in UJAS. The Bank is now even seen as pivotal for the process and dialogue among donors, and in particular for the dialogue between UJAS and the Ugandan Government. In the words of one donor AfDB had a 'priceless position' as a sincere broker in UJAS and helped 'tremendously' in the acceptance of UJAS by the Government. AfDB has been very vocal on the need to move UJAS forward and was among

¹⁰ According to the Presidential instruction PI 02/2005 limited authority was delegated to Field Offices for approving some procurement and disbursement matters. This Directive is currently being reviewed at the Bank in the context of the development of a new Bank office decentralization policy.

the first institutions to formally adopt the UJAS document as its country strategy. In general, donors note that AfDB has been becoming much more transparent in its actions even if what it is doing is not always agreeable with other donors. The Bank's attention to governance issues has increased. Most donors welcomed AfDB's organization of the Entebbe regional harmonization workshop in November 2005, even if its impact on practical harmonization progress on the ground was seen as limited.

AfDB change of aid modalities

91. AfDB has effected major changes in its new country program. This led to a share of almost 44% of proposed AfDB investments under the UJAS going to several forms of budget support in agriculture, water supply, sanitation, and civil service reform. But in many ways the Bank is still bound by its own rules, particularly those of procurement as established in the 'Agreement Establishing the African Development Fund (ADF Agreement)¹¹ which make participation in general or earmarked budget support for many purposes difficult or even impossible and, in the case of ADF, restricts direct budget support to 25%.

92. All ADF funded projects and programmes, with the exception of Budget Support Loans which are not expected to be used to procure goods and services, fall under the restrictive procurement rule. The ADF agreement could only be amended through approval by the Bank's Board of Governors by 75% majority of the total voting power, followed by acceptance (ratification) by three fourths of the participants having 85% of the voting power¹². The Bank currently reviews these regulations and potential modifications.

93. Also, in order for AfDB to become even stronger involved in budget support and to rely more on the utilization of non-project based procurement, the institutionalized fiduciary and procurement systems in Uganda will have to further improve. On one hand, achievements that the Government made in recent years in reforming the public procurement and other fiduciary processes need to be recognized. Notable among those are i) the abolition of Central Tender Boards (CTB) through a statutory instrument on 1 March 2001; ii) the enactment of the procurement law on 17 January 2003; iii) then establishment on 21 February 2003 through the Procurement and Disposal of Public Assets Act (PPDA), of the procurement policy and regulatory body; iv) the establishment of Contracts Committees (CC) and Procuring and Disposal Units (PDU) through a statutory instrument on 1 March 2001; and v) the enactment of the Local Government amendment on 10 February 2006 in a bid to harmonize Central and Local Government regulations. Often, however, the requisite institutions and systems may have been put in place while not being fully functional yet. For instance, a procurement authority exists, but AfDB still regards its effectiveness as limited due to various endemic problems within the public sector. Challenges and binding constraints still faced by the system need to be more pro-actively identified and addressed.

¹¹ ADF Agreement, Article 15(4): "The Fund shall impose no conditions that the proceeds of its financing shall be spent in the territories of any particular State participant or member, but such proceeds shall be used only for procurement in the territories of State participants or members, of goods produced in and services supplied from, the territories of State participants or members, provided that, in the case of funds received pursuant to Article 8 for a State which is not a participant or member, the territories of that State shall also be eligible sources of procurement from such funds, and may be eligible sources of procurement from such other funds received under that Article as the Board of Directors shall determine" (emphasis added).

¹² Legal Note of March 22, 2005 by Bank General Counsel

AfDB sector selectivity

94. While AfDB in principle is willing to be selective and coordinate its sector presence in line with the planned division of labor review, some donors were concerned that AfDB may have prematurely identified sectoral priorities in its business plan for UJAS. And although these preliminary sectors had been discussed at least with some of the JAS partners, the perception was that AfDB may be trying to pre-empt a later agreement on the division of labor. On the other hand it is clear that not much could or should have been done differently, as Bank procedures for CSP's - or UJAS as a CSP substitute in this case - require a business plan by sector. But will AfDB be open to re-visit these priorities if need be in the future?

Persistent problems for AfDB

95. While much progress has been made in the Bank's effectiveness in harmonization in Uganda, many development partners in the country, including the UGCO, agree that AfDB still has some way to go. There are at least three major problems which could affect the Bank's performance and effectiveness in harmonization and UJAS:

- 1) AfDB is still too little engaged on the ground and has limited sector presence. The Bank is often not able to contribute in sector working groups to the extent it would be fully satisfactory. AfDB country office senior staff is currently spread too thin and inappropriate in terms of numbers and time and the range of sectoral specialized expertise required. The main issue is too few and consistently engaging technical staff in Kampala to have 'tangible' effects.
- 2) AfDB has been plagued in recent years by numerous disbursement and procurement problems, which in several cases had considerable "knock-on effects" on partner activities. At a time of tight budget ceilings not coming through with budgeted funds and rolling over of funds into the next year may replace and "knock-out" other funds which can be a major annoyance for other donors. Also, not coming through with procurement may mean delays in co-financed projects. Recent examples include AfDB disbursement problems in agriculture which led to funds being transferred to subsequent years and thereby blocking new investments; new education sector interventions which reportedly substituted for planned investments from other partners that had already been agreed on by the sector working group; procurement problems in transport; and procurement delays in a co-financed governance project due to late AfDB delivery of computer hardware. It is expected that these and other issues will be addressed in the current review of Bank business processes for which a special Task Force was set up at AfDB Headquarters in mid-2006.
- 3) Many donors complained that in several cases even as late as mid-2005 AfDB's behaviour in sectoral project development and coordination with Sector Working Groups, particularly in the social and governance sectors, was less than exemplary. In the words of one particularly outspoken donor AfDB was virtually "breaking all the rules", "coming in from the sidelines", and left the perception of "making deals with the Line Ministries". It was also felt that even when AfDB formally participated in project and sector dialogue, comments were rarely taken on board. This Review cannot and does not see it as its function to verify to what extent such perceptions by some donors about

certain AfDB activities are actually true and fully consistent with what really happened. But perceptions by partners do matter: learning starts with listening to what others have to say and examining one's own actions accordingly. The Bank is currently addressing this issue through its recent reorganization which strengthens the responsibilities of the Country Programming and Sector Departments and envisions a more proactive role by the country economist in these matters.

- 4) Disbursement pressures and rigid time-tables for developing projects ("*chasing the timetable*") as well as the unwillingness to take on the costs and potential delays of coordinating were seen as the main reasons for the Bank's relatively poor integration of new projects into existing sector programs. The perceived absence of oversight of AfDB operations in the field on compliance with overarching country specific issues and adherence to agreed principles was also noted.

96. While AfDB damage mitigation and efforts to clean up house are in place and the UGCO has been doing excellent work in smoothing the waves with enhanced visibility, dialogue, and very capable and respected staff, several donors alleged that the UGCO is apparently not always fully aligned with Tunis. They perceive a disconnect with AfDB sector divisions and sector staff. This is almost generating a "good cop/bad cop" situation in Uganda for AfDB.

97. Another image problem that AfDB may have to address within the donor community is that some donors see AfDB very much as the Government's "*house bank*". While AfDB's special relationship with GoU is often seen as useful by the same donors, the question was raised by some under what circumstances AfDB's straddling of the divide may actually jeopardize UJAS integrity, particularly in times of political crises. They fear that close linkages with the Government may make AfDB more yielding to political pressures and politically driven sectoral demands.

AfDB sectoral leadership

98. On the question of potential AfDB leadership in certain sectors most other donors are cautious, and at best suggest to 'await results from the comparative advantage study', as it was put in the Review survey. This assessment is mostly related to the sectoral problems described above, but also to the shortage of technical sector staff at the Country Office. Thus the general perception is that it may be premature for AfDB to exercise sectoral leadership roles before further improving its staffing and operations at the Country Office. Some donors noted that AfDB should for the same reason also be cautious to not overlay events such as the AfDB harmonization workshop in Entebbe in Nov. 2005 and fashion itself too early as the 'champion of harmonization'. While there could be some rationale for such a role in the continent-wide political arena, it would be premature at the country level. AfDB's set-up and institutional arrangements simply don't yet allow the Bank to work fully optimal at country level sector coordination.

3. Implications of UJAS for AfDB

Strengthening the Country Office and Ugandan processes

99. It is obvious from this Review that in order to become a truly effective player in aid harmonization in Uganda it is indispensable for AfDB to further strengthen its Country Office and decentralize operations. A smart decentralization would include 1) expanding the technical capacity at the CO; 2) strengthening the role of the CO in aligning AfDB sector interventions with country priorities; 3) more Delegation of Authority to the CO; 4) reviewing procurement rules and reducing overall fiduciary and procurement risks in Uganda; 5) enhancing HQ support and leadership; and 6) increasing sector selectivity.

100. Technical capacity at the CO: Foremost, technical capacity on the ground needs to be strengthened. The biggest challenge is that existent staff in the Country Office is spread too thin, and that the current senior staff is not technically qualified in all the major sectors of Bank involvement. Intermittent support from HQ is sometimes helpful but rarely sufficient. How to staff and backstop the country offices is the most important question. Several suggestions were made, such as

- To start with a careful assessment of the demand for technical expertise and backstopping.
- To relax the current AfDB rule of not hiring any new technical staff as lateral moves within AfDB are not always conducive for obtaining the right technical qualifications.
- To have more than a maximum of three international senior staff in the CO.
- To expand, alternatively, the possibility of hiring staff locally, in line with the AfDB portfolio.
- To provide the requisite amount of operational funds to actually assume leadership roles. The necessity and best utilization of additional resources for assuming sectoral leadership needs to be clarified.
- Increasing technical capacity also means enhanced field office IT/SAP access and routine training of local staff members on the Bank's operational policies, as well as coaching them on policies relating to their respective sectors of operations.

101. Ireland's assistance strategy and recent changes may serve as a model for AfDB in staffing its Country Office. The Irish 'Development Team' these days only consists of two expatriate development officers, plus one locally recruited technical adviser for each sector in which Ireland is providing active assistance. Locally recruited staff generates only about 25% of the costs of expatriates. In addition, two local program support officers provide basic administrative support to project administration. Regional advisers exist, but are not able to engage in local discussions in Sector Working Groups or other sectoral fora. Substantial savings from earlier expensive Technical Assistance that was commonly used in earlier days made the extension of the local Country Office possible.

102. Strengthening the role of the CO in aligning AfDB sector interventions with country priorities: Secondly, there is a need for a stronger role of the Country Office not only in setting overall country policies and budgets but also to ensure that AfDB sectoral activities are aligned as fully as possible with local policies, strategies, and agreements; and that dialogue with all partners is taken seriously. The Country Office's role in timing and composition of design and supervision missions should be increased.

103. Delegation of authority to the CO: Thirdly, in order to speed up disbursement and procurement the delegation of authority to the country office should be gradually expanded, concomitant with staffing and other capacities at the UGCO. This may mean, among others, to revise the Bank's disbursement policies so as to provide some flexibility, on a case by case basis, with regard to the Bank's policy for replenishment of project special accounts. It may also be useful to revise the Bank's procurement policies towards the use of country systems in as much as they are deemed competitive, transparent, economic and do not violate the country of origin requirements of the Bank.

104. Reduce Fiduciary and Procurement risks in Uganda: Fourth, in order to enhance AfDB ability to transfer more investments from free-standing projects to SWAp's and Direct Budget Support, AfDB's overall procurement rules need to be re-assessed. It should be noted that such a re-assessment has already started at Bank Headquarters and its progress should be carefully monitored by Operations Complexes and the Board. This re-assessment is aimed at harmonizing the Bank's procurement policies with those of other Multilateral Development Banks, enablement of the use of country systems, as well as simplification and streamlining of the rules and procedures.

105. Headquarter support and leadership: Fifth, in line with the general call for more HQ support and leadership in harmonization it would be useful to advance the entry point of Senior Management and the Board in future Joint Assistance Strategies. Senior Management and Board guidance and leadership could help to promote AfDB as a more monolithic block, speaking with one tongue, and to close the perceived gap between HQ and CO.

106. Sector selectivity: Although AfDB's business plan in the cover note of the just approved UJAS suggests specific sectors for intervention AfDB should remain flexible in selecting priority sectors, and in determining its ultimate role in these sectors. Although this remains to be further examined and discussed with UJAS counterparts, it appears that AfDB's comparative advantage lies more in the sectors of water, infrastructure, and governance (institutional support), than in agriculture (where past performance has been quite poor) and in the social sectors (which, although some good work was done in the past, are overcrowded with other donors). It is expected that the new Enhanced Decentralization Policy of the Bank which would be discussed by the Board in fall 2006 is going to address many of these challenges.

Box 4 - 'Advice' from Development Partners on Enhancing AfDB's Effectiveness in UJAS

- Decentralize more staff to the field for more active participation in donor /Government /sector events such as sector working groups, joint annual reviews etc.
- Be more consultative with your counterparts. Make sure you have brought the sector working groups on board for the projects that you intend to bring to Uganda. Consider the importance of SWAPs. Work in close alignment with the PEAP.
- Ensure consistency between UJAS level (AfDB CO) and programme/project level (AfDB Sector Departments).

Raising the AfDB profile in Uganda

107. The Uganda Country Office has been actively relaying the nature and impact of the Bank's development interventions to national and regional media since it commenced operations in Uganda in 1968. These efforts have included multiple reporting in national and regional periodicals including "Donor News", "Development Analyst", and "Construction Review", as well as weeklies and dailies of wide national circulation in Uganda. These measures have been taken despite the fact that UGCO's annual budget for public relations is less than UA 2,500 per year.

108. On the other hand, counterparts in the Donor, Civil Society, and Government communities were not shy on giving well-meant advice to AfDB how to raise the general profile of the Bank in Uganda and thus become a more credible player, in UJAS and beyond.

- First, it was noted that in contrast to other donors AfDB existence and main activities are still not very well known in Uganda. This raises the question of the Bank's profile. While a low profile may at least be partly intentional as Government is seen as the main 'owner' of AfDB grants and loans, it is not helpful for dissemination of AfDB messages and products. AfDB will have to expand its efforts to break out of its 'cocoon'.
- Particularly Civil Society and Government representatives would like to see a "**real African Bank**", and miss hearing critical positions from AfDB in the field that could truly be called African, for instance on debt relief or trade distortions. One interview partner suggested to study UN-ECA as a model for a higher and more 'African' profile.
- It was also suggested that as an African institution AfDB should in particular look at the functionality of Government and the pros and cons of transferring

common Western developed world models on poor countries. Better public sector management is key for development effectiveness.

- To compensate for its shortage of in-country technical sector staff AfDB should consider teaming up more closely with bi-lateral donors, for instance German Aid in water and education (vocational training) or Norwegian Aid in the power sector. This also might mean making more use of bi-lateral funds at the country level through umbrella MoUs which could provide resources for local office support and building up of governance capacity. Any bi-lateral collaboration could be fashioned after the intensive collaboration established between AfDB and DfID in Uganda which has an excellent track record.
- Providing strategic funds for technical studies (ESW) that could not only ensure a seat on the table, but also provide balance in jointly adopted policies.

V Conclusions, the Road Ahead, and Overall Lessons Learnt

109. The UJAS Review set out to assess five major topics: the relevance of UJAS for Bank strategies on better harmonization and joint assistance; its usefulness for establishing a more effective Uganda country assistance program; UJAS potential to reduce transaction costs; the Bank's effectiveness in the UJAS process; and overall opportunities and risks associated with the process. This final chapter summarizes the major findings and conclusions, provides some perspectives for the road ahead for Uganda's UJAS, and draws broader lessons from Uganda for similar harmonization and joint assistance processes in other countries.

1. Major Findings and Conclusions

110. The UJAS is highly relevant to Bank alignment and harmonization principles. It is a coherent response by a group of core donors to Uganda's 2004 Poverty Eradication Action Plan (PEAP), the country's PRSP equivalent. UJAS focuses on outcomes and measuring of results, and explicitly identifies the links between the different UJAS interventions and PEAP results. UJAS aims to simplify aid delivery systems and to reduce Government and donor transaction costs.

111. UJAS has so far been effective to harmonize assistance strategies in Uganda. The evaluation found clear value-added and high satisfaction with the UJAS process so far. UJAS provides an important framework for promoting better governance and accountability in Uganda. But it is still relatively weak in practical terms to ensure better public sector management, accountability, and M&E implementation. Critical work remains to be done on the division of labor among donors, identification of aid modalities commensurate with Government capacities and individual donor regulations, and policy dialogue. Government will to become more involved in all of these processes.

112. UJAS is committed to reduce assistance related transaction costs in the medium- to long-run and bring about substantial rationalizations and administrative savings. UJAS relies on existing mechanisms and agreements rather than new structures, e.g. the Uganda partnership principles, local donor sector groups, or the Government's own ministerial

working groups. Achieving lower transaction costs in the long-run may, however, require additional investments and efforts by donors and the Government in the short- to medium run. It is imperative for AfDB to further assess how to cover these additional investment and human resource requirements that may incur in the near future.

113. The Bank's effectiveness in Uganda's harmonization and UJAS process was high at the Country but low at Headquarter's (HQ) level. The Bank's Country Office has been very effective in shaping the UJAS and the policy dialogue with the Government. But problems remained with the Bank's sectoral policy and program dialogue, particularly as it is perceived by other donor partners. Also, a number of AfDB disbursement and procurement problems in Uganda had negative effects on some partners. It is expected that these issues are being addressed in the current review of Bank business processes for which a special Task Force was set up at AfDB Headquarters in mid-2006. In general, more support, guidance and flexibility on harmonization from donor headquarters is called for. It would be particularly useful for the Bank's senior management and Boards to become involved in future Joint Assistance Strategies at an earlier stage. It should be commended that the Bank HQ in 2005 was instrumental in developing a formula for '*ring-fencing*' certain projects and their procurement to enable the Bank's participation in sector-wide programming (SWAPs) in Uganda.

114. The evaluation identified substantial *political risks* for the Bank associated with harmonization and UJAS in Uganda. They could even affect the level of assistance and the Bank's standing with the Government. *Institutional and operational risks* are also significant. Enhancing the division of labor among donors could lead to reduced investment opportunities for the Bank and to longer, more complicated and costly project preparations. The Bank could run into problems to define its corporate profile and comparative advantage viz-a-viz other donors. Significant *fiduciary risks* exist, as fiduciary accountability by the public sector and M&E on the ground are weak, particularly in Uganda's line ministries. Relevant institutions and procedures may exist but are not always fully functional. In the end, civil service and pay reforms would be required to strengthen the public sector and reduce the fiduciary risk.

115. Main challenges for the Bank are in further decentralization of the Bank's operations, local capacity development, and reinforcing the Bank's African identity and profile. To become a truly effective partner in harmonization the Bank must above all further strengthen its Country Office and further decentralize operations. A smart decentralization would (1) expand the technical capacity at the CO, (2) team up with bi-lateral donors with specialized technical know-how at country level; (3) strengthen the CO in aligning the Bank's sector interventions with country interests; (4) delegate more authority to the CO; (5) invest in lasting institutional strengthening of public sector systems; and (6) enhance HQ support and engagement.

2. The Road Ahead in Uganda: Perspectives and Priorities for UJAS

116. After adopting the UJAS as their common country strategy UJAS partners will now have to address some critical implementation tasks. The *architectural drawings may be in place, but actual construction has yet to start*. Important challenges include the division of labor among donors; more details on how to handle, implement, and sequence planned changes in modalities of aid; and settling critical governance questions. More specifically,

UJAS partners will have to overcome past constraints and problems for selectivity in their programming and in disengaging from certain sectors or entering into silent partnerships.

117. UJAS partners will also have to increase their selectivity and adaptability in the use of aid modalities, in line with the spirit of UJAS to provide general and sector budget support wherever possible and supported by the capacity of the Ugandan Government. Budget support timetables and decision frameworks in UJAS need to be aligned. Some controversial governance questions related to UJAS will still have to be hammered out among partners, and different assessments of the risks posed by corruption and the political transition and related risk mitigation mechanisms will have to be settled. General budget support for 2006/07 and later years will have to be negotiated in the context of good governance process.

118. Beyond these three basic tasks, partners will have to increasingly take UJAS principles and strategies to the sector level, reinforce their agreements with line ministries, and establish new sector partnerships, incl. silent partnership agreements with other donors. Developing strategies, cost sharing mechanisms, and TORs for joint supervisions and evaluations will be a next step.

119. A key question is how to engage the Government more closely at this critical stage of implementation, and specifically who in Government. The Government has not only to sign off on UJAS, but implement much of it. So the Government should be playing a major role in facilitating the division of labor, determining aid modalities etc., particularly as not all major donors are part of the UJAS process. Also, several pre-conditions for UJAS effectiveness need to be ensured such as better accountability, procurement capabilities, and monitoring of implementation and impact of the PEAP. UJAS partners will have to help the Government to strengthen its capacity in these areas, in particular in the sectors and line ministries.

120. Although the Ministry of Finance, Planning, and Economic Development and the Prime Minister's Office are expected to continue to play lead roles as UJAS partners, it will be increasingly in the sectors where the joint action and UJAS is going to happen. Thus key sector ministries and agencies will have to be engaged more, starting with a wider distribution and familiarization of the relatively un-known UJAS document beyond the participating donor community and some central Government Departments.

121. UJAS donors may wish to consider establishing a small UJAS secretariat which could be useful for various tasks, including communication among partners, the regular updating of UJAS, for annual UJAS reviews (incl. the assessment of progress on 12 Paris indicators), and for supporting the donor selectivity and division of labor exercise. Such a secretariat should, however, be well integrated into some existing coordination mechanisms, to avoid generating parallel structures, e.g. by linking it up to the local donor group etc.. In this context, short-term cost implications of UJAS will have to be addressed. Certain critical costs of coordination have so far been absorbed by WB and DFID, but costs are expected to raise in the short-run, and a cost sharing mechanism may have to be developed.

122. There may also be some need to formalize the UJAS process somewhat more, particularly with the expected inclusion of more donors into UJAS. Partners may consider to introduce more formal governance structures and rules for UJAS, which could include laying down more specifically how to deal with controversial issues, how to facilitate actions and prevent delays for the whole process when individual donors may not be able to deliver on

certain activities etc.. In short, some form of advance conflict resolution mechanisms could help to mitigate some of the risks of cooperation.

123. One UJAS goal is to strengthen the process, by including more partners (other donors, civil society organizations etc.) into the group. This may require to come up with creative solutions to allow those donors to opt in who for various administrative or political reasons may be difficult to align (eg. UN, USAID, JICA). UJAS partners may want to consider several tracks or tiers of partners within UJAS, with different levels of engagement (e.g. core and non-core donors). UJAS will also have to develop a game plan to better institutionalize Civil Society participation in the program, particularly to ensure policy inputs and independent monitoring and evaluation (*'watchdog function'*).

124. Headquarter consultations and commitment to harmonization at the country level will have to improve. The need for development partners in Kampala to consult periodically with their headquarters and to reflect different headquarter requirements for sector priorities and administrative procedures constrained progress in the past substantially. The goal must be for headquarters to provide clear and unambiguous management decisions on harmonization, delegate authority wherever possible, and provide sufficient and timely backstopping for country offices where required.

3. Lessons Learnt for Harmonization and Joint Assistance Elsewhere

125. The Uganda case study provides a number of lessons that can be learnt for joint assistance in other countries in similar environments and settings:

1. Producing a joint strategy takes time, often much more than preparing a single agency country assistance strategy. Agencies involved need to dedicate sufficient staff and financial resources to the process and might even consider hiring an independent consultant to draft the JAS document. Availability of resources for the process is an absolute *must*.
2. A clear management arrangement needs to be put in place. Key issues include identifying a leader of the process and clarifying the expectations of partners. The drafting process needs proper management. It should be led by partners in the country.
3. All prospective donor partners should be involved and regularly consulted from an early stage. The major end goals of the process and the various steps should be carefully explained to all stakeholders, incl. the Government, civil society etc.. Rushing into drafting a joint document does not pay off and may cause problems later. Be realistic about what can be achieved in a given amount of time, and possibly postpone final settlement on certain contentious issues until later stages. Ensure a document is grounded in objectives that are deliverable.
4. To facilitate the participation of donors with relatively restrictive aid modalities and regulations it could be considered to develop different tiers of membership in Joint Assistance Strategies, with some more flexible partners forming the core constituency while others being more loosely associated.

5. Those in charge of drafting the joint document should spend time on carefully reviewing, discussing and developing core bits of analysis, particularly the assessment of donor comparative advantage and division of labor and how to accommodate individual donors' non-negotiable aid modality regulations.
6. Support and guidance for the process from the various donor headquarters needs to be insured at an early stage; and not just in principle, but by securing assurance of flexibility and willingness for innovations with regard to headquarter policies, rules, and guidelines.
7. After several experiences with harmonization and JAS future processes should become more scripted and formally guided. Opportunities for inter-country collaboration and exchange of experience should be expanded.
8. There are challenges for all donors of ensuring consistency between UJAS principles, and actual behaviour and donors individual decision-making at sector, programme, and project levels.
9. JAS partners need to sep up efforts to support Government readiness for the process, particularly through reinforced management capacity building in central *and* key line ministries for performance-based M&E and enhanced accountability. Decent competitive salaries and other incentives as well as sufficient recurrent budgets have to replace project-related incentives. Civil service reform government may be a pre-requisite for more sustained transfer of responsibilities to Governments.
10. Uganda's long experience in developing poverty reduction strategies (PEAP) and Partnership Principles between the Government and major donors considerably helped in developing the UJAS, even with the Ugandan Government being more on the sidelines during the early process. Government ownership does not only apply when a government has drafted a JAS but can also apply when the process takes place within a nationally owned framework. This type of JAS process may even reduce the transaction costs for the national government involved.
11. From the beginning of a joint assistance process equal attention should be paid to its implementation and the mitigation of implementation risks as to the initial design and planning. It has been suggested that joint planning processes more than others may lead to 'planning-mania'. The ultimate goal of implementation and simplification may be easily lost out of sight, and joint strategy documents may be long on intentions, generalities, and least common denominators, but short on specifics, eventually leading to gridlock and irrelevance at implementation levels. UJAS will still have to pass the test of 'implementability'. It did put in place some mechanisms for mitigating and monitoring implementation risks.
12. The political economy implications of donor harmonization and joint assistance strategies have to be considered and addressed. As in the case of Uganda JAS may implicitly lead to a shift of power and resource control from sectors (line ministries) to central government institutions (Finance, Prime

Minister's Office), and from more political to technocratic decision-making. Such shifts may have impact on the buy-in into UJAS from Government and other partners and could lead to backlashes if neglected.

13. As with all attempts of generating more 'jointness' it could be advisable to devise mechanisms for securing diversity in unity. There is always a danger of 'homogenization' of policies and approaches in joint assistance; narrowing on '*issues du jour*', which currently are mainly MDG driven. The Ugandan example shows that broad sectoral priorities, e.g. reduction of infant mortality, shouldn't necessarily preclude other worthwhile activities that often are innovative and increasingly relevant (e.g. helping the victims of traumatic experiences in civil conflict or domestic violence).
14. As in any partnership, different interests - that sometimes may widely differ and rapidly change - need to be acknowledged and respected. While all partners have to accept some trade-offs in cooperation that may reduce their degrees of freedom for the sake of broader development effectiveness, the smaller and less well represented partners in particular will have to come up with ways to maintain institutional identity in a more unitarian framework. Structures, processes, and a culture of cooperation and teamwork needs to be established at country level to ensure frank debates and resolution of differences.

Survey Results from UJAS Donor Questionnaire

I. Summary of responses from eight donors

Readiness for UJAS and Factors Facilitating Participation

Question 1: To what extent was your organisation prepared and ready to participate in UJAS from the start?

Preparation may have played a reason for donors to join UJAS or not: of the eight donors who responded those who already are UJAS partners (#1-5) were well prepared, the rest (#6-8) were only modestly or poorly prepared.

Facilitating factors

1. For joining UJAS

A major factor driving and facilitating UJAS participation was clearly support from Headquarters and political will, driven by the various international Declarations on Aid Effectiveness, Harmonization and Alignment in the past few years.

Decentralization to COs helped, but it needs to be backed up by political will and support, as well as restraint and compromises from headquarters on corporate requirements and program/sector priorities.

Important other reasons included good functioning of prior donor coordination in Uganda, laying the ground for commitment by local country level staff, and recognition of the usefulness of a joint country strategy.

The fact that Country Program Cycles had come or were coming to an end was definitely conducive to participation.

2. For participating in UJAS

One of the main factor that kept the process going was the dedication and personal interests of those involved on the ground, motivated by the intention to develop a results-oriented document, and supported by networking with other partners in the region.

Clear country strategies, sectoral working group participation, and technical know-how by some of the donors enabled negotiations about shared priorities and strategies under UJAS.

And again, knowledge about GoU commitment to donor harmonization and alignment was instrumental, as was the general preparedness of the GoU to take lead on the division of labor excercise.

Constraining factors

1. For joining UJAS

Missing clarity on where the process was leading... and no clarity on prioritization methods, programmatic focus, and defining comparative advantages...

Non-subscription to the main goal of moving towards DBS was seen as constraining factors for support

Having to consider other institutional commitments and aid coordination mechanisms (e.g. international agreements) prevented stronger engagements

Limited resources and capacity of country offices to play active role in the UJAS process;
Lack of technical capacity / resources to draw on lessons learnt in the region

2. For participating in UJAS

The most limiting factor may have been resource constraints for some donors (particularly those not in the lead). This included limited time, capacity, and knowledge. This also may have prevented some from forging more strategic sectoral alliances with other donors that could help the process of division of labor, and development of sectoral comparative advantages.

Lack of clarity on the outcome of the process, as well as non-subscription to the major goal of increasing DBS dampened enthusiasm.

The process took longer than expected as the third generation PEAP was delayed, and the major task team leader for the drafting the UJAS was not always in the country.

Government readiness

Question 5: The majority of donors (five) saw a relatively substantial readiness of the Government of Uganda's for UJAS, in terms of capacity for planning and budgeting, implementation, and monitoring and evaluation of the joint strategy, while three donors were less confident. For those viewing the readiness positively, the major reasons were the long history of leadership of GoU of the harmonization agenda, a mature PEAP (PRSP) and a number of sectoral policies, comprehensive partnership and coordination structures, and a keen interest by the Government on reducing transaction costs and simplifying reporting requirements.

Ratings

Question 12: Rating the overall UJAS process overall so far as:

Almost all donors were satisfied or even highly satisfied with the process.

Question 13/14: How do you rate (1) the extent of participation and (2) effectiveness of various partners in UJAS so far?

Both the *extent of participation* and the *effectiveness of various partners* in the UJAS process were rated very positively, mostly between substantial and high. Particularly the lead donors, the World Bank and DfID, got very high marks for their engagement and effectiveness. The AfDB's contribution and effectiveness was rated between modest and substantial. Overall these results show the extent of donors' satisfaction with the process and its outcome so far.

Similarly, the *value added* of the process so far was rated as substantial or high by 6 out of 8 respondents.

Question 7: Please indicate the (1) extent of involvement of your organisation in each of the following activities and (2) how effective you rate your involvement activity

The extent of donor involvement in various UJAS related activities varied, with some donors having more and some less of the drafting and leadership responsibilities. Yet, participation in UJAS coordination is generally high, noticeable even by two non-members (#7, #6), as is participation in Sector Work Groups. For the most, donors rate their own effectiveness in UJAS as substantial and high, although there are some variations, depending on degree of UJAS commitment.

[from Questionnaire, Qu. 18 (text):] At the same time there is a tendency towards a very protective attitude from the UJAS partners vis-à-vis the UJAS, leaving very little space for (self-) criticism. This might become self-destructive. (Donor6)

Value-added of UJAS

Question 15: Where would you see the major *value added* by UJAS? (incl. planned future benefits)

- UJAS provides a good political strategy with risk analysis and scenarios for different situations; it is a shared risk assessment framework and performance indicators that will form the basis for decisions on the volume of support.
 - This will provide partners with a substantially increased possibility to react and possibly act viz-a-viz political development on the basis of a shared understanding.
 - Typically the negotiations and talks surrounding these political paragraphs (including conflict)...and M&E of these were the most arduous of all between UJAS partners, and surprisingly it wasn't only the World Bank against the rest of the world! One shouldn't underrate the differences in opinion between bilaterals.
- Intensive process of communication and alignment: Since the UJAS was the first of its kind, all processes took a long time; in the beginning, there wasn't even an idea how the UJAS should look like. The fact, that there is an UJAS is already a value in itself as a political message. The highest value added is the

intensive process of discussing priorities and harmonisation among the different donors and organisations.

- Start of the implementation of the Paris agreements and indicators in Uganda; as well as the development of a common assessment framework for financial decisions
- Division of labor: crowding-out and rationalising donor involvement in certain sectors; i.e. implement principles of comparative advantage; reduce the 'burden' of donor harmonisation and sector dialogue; make disbursement and allocation decisions more rational
- A focus on results: aligning seven partners M&E requirements with the government's annual review process;
- Reduced Government transaction costs and increased quality and predictability of aid.

Lessons learnt

Question 21: What main lessons could be drawn from the process so far?

- UJAS is a process and the UJAS document is a milestone. But producing a joint strategy takes time, often much more than preparing a single agency country assistance strategy.
- Clear management arrangements need to be put in place
 - Key issues include identifying a leader or leaders of the process and clarifying the expectations of partners involved.
 - Drafting process needs proper management. It should be led by partners in the country
- Involve all key stakeholders from an early stage
 - Clearance of expectations of the different partners before/when starting the process
 - Don't rush into drafting - spend time to ensure expectations are clear about what everyone wants from the document.
 - Clearly explain your end-goals, vis-à-vis all stakeholders.
 - Involvement of other actors at an earlier stage (government, civil society, etc.).
- Agencies involved need to allocate sufficient resources to the process. Availability of resources for the process is a **must**.
- Spend time on developing core bits of analysis, particularly the division of labor/ comparative advantage work.

- Flexibility and innovation, particularly in complying with the guidelines of headquarters, are important. Partners need to ensure their Headquarters are flexible about corporate requirements.
- There are challenges for all donors, particularly for AfDB, of ensuring consistency between UJAS principles, and actual behaviour and decision-making at sector/programme level.
- Government ownership: Compared to other JAS processes, the UJAS has been drafted by the development partners within the Partnership Principles (drawn up by the GoU in 2003). The GoU has preferred to comment on the draft document and then to take a lead during the assessment of donor's comparative advantages. This means that ownership does not only apply when a government has drafted a JAS but can also apply when the process takes place within a nationally and nationally owned framework. This type of JAS process might even reduce the transaction costs for the national government involved.
- Be realistic about what can be achieved. Ensure a document is grounded in objectives that are deliverable.

Major implications of UJAS for your organization?

- Fully adopt joint strategy and align to it. Commitment to the UJAS means that we have to ensure our bilateral programme develops in a way that is aligned with the PEAP and the Partnership Principles and focused on results.
- Engage in an additional process of coordination. Will aim to consult more on decision making, although each individual partner still makes its own decisions.
- Reduce involvement in number of sectors. We will have a better idea of what our comparative advantage is and be more creative in terms of harmonisation. This should result in fewer areas of intervention and reduced programme specifics.
- Consider greater share of support through budget support.

Suggestions for improvements

- Obtain clear and unambiguous management decision from HQ. Provide backstopping from head office to country office where required.
- The drafting process has been long and uneven. Dedicating sufficient staff to ensure consistent engagement with the process. One could consider hiring an independent consultant to draft the JAS document.

- Early on, consider donor selectivity and division of labour. The issue of comparative advantages could have been completed – but on the other hand this allows late-comers to join and participate 100%.

Advice for AfDB

Question 25: if any, please specify suggestions for improving **AfDB's participation in UJAS:**

- Decentralize more staff to the field for more active participation in donor/Government/ sector events such as sector working groups, joint annual reviews etc.
- Be more consultative with your counterparts. Make sure you have brought the sector working groups on board for the projects that you intend to bring to Uganda. Consider the importance of SWAPs. Work in close alignment with the PEAP.
- Ensure consistency between UJAS level (CO) and programme/project level (sectors).

II. UJAS Survey – Detailed Responses

Question 1: To what extent was your organisation prepared and ready to participate in UJAS from the start?

	Low	Modest	Substantial	High
Donor1				X
Donor2				X
Donor3				X
Donor4			X	
Donor5			X	
Donor6	X			
Donor7		X		
Donor8		X		

Question 2: What factors facilitated the readiness of your organisation to participate in UJAS?

	Facilitating Factors
Donor1	<ul style="list-style-type: none"> i. Strong push from Headquarters to participate as a means of operationalizing the “Rome” commitments; ii. Flexibility from our Headquarters on corporate requirements; iii. Commitment of local staff to engage in the process substantively.
Donor2	<ul style="list-style-type: none"> i. Alignment of the development partners with Uganda’s PEAP, as well as donor coordination around the PRSC instrument, facilitated the start of the process; ii. Our agency’s Country Program cycle had come to an end and it had to be redone anyway. iii. The Marrakech and Rome Declarations on Aid Effectiveness provided for an important impetus. iv. The UJAS approach has enjoyed a lot of support from Headquarters.
Donor3	<ul style="list-style-type: none"> i. Strong political will; ii. UJAS drafting team took account of our own strategic cycles.
Donor4	<ul style="list-style-type: none"> i. The need to harmonise the strategies more; ii. Having in mind the future usefulness/opportunities of a joint country strategy.
Donor5	<ul style="list-style-type: none"> i. Commitment to Harmonisation & Alignment / Paris Declaration; ii. Elaboration of new country programme starting 2006; iii. Good functioning of prior donor coordination in Uganda.
Donor6	<ul style="list-style-type: none"> i. Political leadership of agency in Headquarters; very outspoken on high-level harmonization agenda.
Donor7	<ul style="list-style-type: none"> i. Decentralisation of the administration of this bilateral agency’s development assistance to the country level.
Donor8	<ul style="list-style-type: none"> i. Regular donor coordination meetings in all sectors.

Question 3: What factors constrained the readiness of your organisation to participate in UJAS?

	Limiting Factors
Donor1	i. Central guidance on prioritisation methods and devising comparative advantage exercises
Donor2	i. A JAS is a new approach.
Donor3	<p>i. Shortage of adequate resources (human resources for drafting and negotiating in Kampala)</p> <p>ii. Extremely limited support and instructions from Headquarters. This is absolutely essential if there is to be a at least tentatively common approach within the region</p> <p>iii. Lack of technical capacity to draw lessons from all the on going processes in the region in order not to re-invent the wheel and also to actually affect reduction of transactions costs on the side of donors</p>
Donor4	i. Missing clarity on whether the UJAS will eventually also become the Agency's overall country strategy
Donor5	<p>i. Interest in safeguarding specific bilateral cooperation characteristics</p> <p>ii. Insufficient clarity on mechanisms to specify our interventions and programmatic focus</p> <p>iii. Limited capacity of country office to play active role in UJAS process.</p>
Donor6	<p>i. We were in the middle of a strategic cycle when discussions around the UJAS started.</p> <p>ii. We have a unique and complex inter-institutional structure on development issues, regulated through an international agreement. Participation to the UJAS could have been seen as a deviation from this.</p> <p>iii. No unified vision at all tiers of Headquarters on participation to UJAS.</p>

Question 4: What key activities did your organisation undertake when starting in UJAS?

	Reviewing and revising your own country strategy	Developing position papers	Analyzing your organisation's comparative advantage, selectivity, redefining your niche	Producing special sectoral economic background papers(e.g.E SW	Consider change in modes of instruments and interventions (e.g more direst budget support)	Adjusting administrative procedures to better align with UJAS	Others
Donor 1	X		X	X	X		
Donor 2	X		X				
Donor 3			X		X		
Donor 4			X		X		
Donor 5	X		X		X	X	
Donor 6		X	X		X		
Donor 7	X	X	X		X		Adjust organisationna l set-up at the Embassy
Donor 8							Keeping informed of UJAS developments

Question 5: Please indicate your opinion on the Government of Uganda's readiness for UJAS, in terms of capacity for planning and budgeting, implementation, and monitoring and evaluation of the joint strategy.

	Low	Modest	Substantial	High	Others
Donor 1	N/A				
Donor 2			X		
Donor 3		X			
Donor 4	X				
Donor 5			X		
Donor 6			X		
Donor 7			X		
Donor 8			X		

Question 6: Please give some reasons for your opinion on government readiness

The Government has been a leader of the harmonization agenda in Uganda. The second PEAP focused specifically on building partnerships and the Government led the development of the Partnership Principles. Uganda also possesses a mature sector working group structure.

UJAS is a donor response to PEAP, so GoU naturally only has a limited interest as long as our positions/selectivity etc. have been coordinated with them, which was the case. Apart from GoU capacity and role the Government welcomed our efforts to reduce transactions costs and harmonise better. So far there was no indication as to worries about "ganging up".
(Donor 2)

The UJAS goals and targets are taken directly from the Government's Poverty Eradication Action Plan (PEAP). Due to the delay of the revision of the PEAP and the indicators in the PEAP Policy Matrix, this in turn led to some delays in formulating the UJAS.

The preparation of a comprehensive monitoring system is in the making (NIMES); Sound budgeting systems exists (but is not always applied); there is a comprehensive partnership structure; the UJAS is in fact nothing more than the operationalisation on the donor side, of the partnership principles.
(Donor 6)

GoU is interested in having a harmonized donor approach in assisting the country in order to:

- *reduce transaction costs,*
- *simplify and harmonize reporting requirements,*
- *put themselves in the "driver seat" of the dev. processes (ownership).*
(Donor 5)

The mature PEAP and the Partnership Principles provide an excellent basis for the UJAS.
(Donor 7)

Coherent GoU policy and strategy documents including the PEAP as well as sectoral policy documents exist. (Donor 8)

The government has made it clear it is not interested in monitoring the UJAS per se. It is interested in monitoring the organisational effectiveness of all donors, whether they are taking part in the joint strategy or no. It has also made clear that the only document it will be assessing is the PEAP. (Donor1)

In my view, UJAS was a process which was mainly donor-driven; the GoU didn't really bother whether there is a joint strategy of several donors as long as it is aligned with the Ugandan PEAP (PRSP). (Donor 4)

Question 7: Please indicate the (1) extent of involvement of your organisation in each of the following activities and (2) how effective you rate your involvement activity

(1) Extent of involvement									
<i>Low/negligible = 1, modest = 2; substantial = 3; high = 4</i>									
	(Co-) leading the overall UJAS processes	Taking leadership role on UJAS related issues in certain sectors	Actively participating in sector Working Groups	Participating in UJAS coordination process, meetings etc.	Producing sectoral/ economic background papers and documents	Drafting UJAS related reports	Reviewing and commenting on UJAS related reports	Carrying out or sponsoring UJAS related review missions	Others
Donor 1	4	N/A (an issue for the “implementation” phase rather than the drafting)	N/A (an issue for the “implementation” phase rather than the drafting, although we did engage with one Sector Working Group already actively considering the issue of harmonisation)	4	4 (risk analysis)	N/A	N/A	N/A (input was Kampala-based)	
Donor 2	4	4	4	4			2	N/A	
Donor 3	1	3	4	3	1	2	3	1	3 (mediation between UJAS partners)
Donor 4	1	2	4	3	1	1	3	0	
Donor 5	1	1	3	2	1	1	1	1	
Donor 6	1	1	4	3	1	1	2	2	
Donor 7	3	3	3	4	2	3	3	3	4 (capacity building to GoU participation in OECD/ DAC related activities)
Donor 8	1	1	2	1	1	1	2	1	

Question 8: What factors facilitated the actual participation of your organization in UJAS?

Facilitating factors:

- *Dedication on the part of those involved on the ground...and a lot of work;*
- *Our clear donor country strategy, which enabled effective negotiation;*
- *Good networking with other embassies in the region that are also working on JAS.
(Donor3)*
- *Government commitment to donor harmonization and alignment;*
- *Our involvement in sector working groups, SWAPs, donor sub-groups and overall policy dialogue;*
- *The agreement among development partners and Government in developing a results-orientated document (whereby the relationship between donor inputs and PEAP country outcomes are defined). (Donor2)*
- *The personal interest of some key donor representatives is critical for the preparation of actual participation. (Donor6)*
- *Participation of other donors.*
- *Preparedness of the GoU to take lead on the comparative advantages exercise. (Donor7)*
- *Availability of sectoral know-how and resource. (Donor4)*

Question 9: What factors constrained the actual participation of your organization in UJAS?

Limiting factors:

- *Limited time and capacity/knowledge;*
- *Limited opportunity to forge alliances for example with AfDB on sectoral issues like water/sanitation and vocational training. (Donor3)*
- *The PEAP took longer than expected to be finalized by the Government. This delayed the UJAS process;*
- *The task team leader was not situated in Uganda during the final process. The problem, however, was partly overcome by audio and video conferencing; (Donor2)*
- *Issue of provision of general budget support when the UJAS was initiated (Donor7)*
- *We are not providing direct budget support to the Government of Uganda. We provide project assistance and hope to adhere to the policy and program intent of UJAS through our complementary programs. (Donor8)*

- *Long and unclear process, no additional resources. (Donor4)*

- *No constraints. (Donor1)*

Question 12: In your opinion, do you consider the UJAS process overall so far as:

	Highly unsatisfactory	Unsatisfactory	Satisfactory	Highly Satisfactory
Donor1			X	
Donor2				X
Donor3				X
Donor4		X [sic]	X [sic]	
Donor5			X	
Donor6			X	
Donor7				X
Donor8			X	

Question 13: How do you rate (1) the extent of participation and (2) effectiveness of various partners in UJAS so far?

(1) Extent of participation				
<i>Low/negligible = 1, modest = 2; substantial = 3; high = 4</i>				
	Self	Other DPs	GoU	AfDB
Donor1	4	World Bank– 4 Others – 2- 3	n/a I'm not going to quantify this. GoU was consulted, but made clear enough they could not have a major role in devising a donor strategy.	3
Donor2	N/A			
Donor3	3	WB/DFID: 4; Others: 2-4; (depending on phase)	2	1-2
Donor4	3	3	1	2
Donor5	1	4	1	2
Donor6	2	3	2	3
Donor7	4	3	3	2
Donor8	1	3	3	3

Effectiveness/ quality of participation				
<i>Low/negligible = 1, modest = 2; substantial = 3; high = 4</i>				
	Self	Other DPs	GoU	AfDB
Donor1	3	4		3
Donor2				
Donor3	3	WB/DFID: 4	4	2
Donor4	3	3	2	3
Donor5	1	3	1	2
Donor6	2	2	2	2
Donor7	4	3	3	2
Donor8				

Question 14: How would you rate the *value added* by the process so far?

	Low	Modest	Substantial	High
Donor1			X	
Donor2				X
Donor3			X	
Donor4		X		
Donor5			X	
Donor6		X		
Donor7				X
Donor8			X	

Question 15: Where would you see the major *value added* by UJAS? (incl. planned future benefits)

- *UJAS provided a good political strategy with risk analysis and scenarios for different situations: this will provide partners with a substantially increased possibility to react and possibly also act on the basis of a shared understanding. Typically the negotiations and talks surrounding these political paragraphs (including conflict)...and M&E of these were the most arduous of all between UJAS partners, and surprisingly it wasn't only the World Bank against the rest of the world! One shouldn't underrate the differences in opinion between bilaterals. There is clear possibility for defining more common approaches, instruments and processes. (Donor3)*
- *Reduced Government transaction costs;*
- *Increased quality and predictability of aid*
- *Aligning the JAS process to the PEAP review process (Donor2)*
- *Crowding-out and rationalising donor involvement in certain sectors; i.e. implement principles of comparative advantage; reduce the 'burden' of donor harmonisation and sector dialogue; make disbursement and allocation decisions more rational (Donor6)*
- *Contribute to H& A, better effectiveness of development cooperation, joint strategizing*
- *Less burden and costs for governments in handling individual bi-lateral cooperation agreements. (Donor5)*

- *Shared risk assessment framework and performance indicators that will form the basis for decisions on the volume of support. Instrument for follow-up on the Paris Agenda. (Donor7)*
- *Since the UJAS was the first of its kind, all processes took a long time; in the beginning, there was even no idea how the UJAS should look like. The fact, that there is an UJAS is already a value in itself as a political message. The highest value added is the intensive process of discussing priorities and harmonisation among the different donors and organisations. It has replaced our bilateral country strategy. (Donor4)*
- *Rationalisation of donor presence to generate a better division of labour; a focus on results; aligning seven partners M&E requirements with the government's annual review process; development of a common assessment framework for financial decisions; and the contextualising of the Paris indicators in Uganda. (Donor1)*

Question 16: Does the UJAS process take longer to complete than your usual country planning process, i.e. the preparation your previous country program/ strategy?

Does it take any extra time to complete UJAS compared with your previous country program/strategy, and if yes, is the extra time:

	No extra time	Low	Modest	Substantial	High
Donor1					X
Donor2				X	
Donor3				X	
Donor4				X	
Donor5	X				
Donor6			X		
Donor7	X				
Donor8			X		

Question 17: Does UJAS require relatively more or less staff time by your organization than regular program planning?

	Extent of extra staff time (%)						Less	Same
	More							
	Without indication	Negligible	5-25%	25-50%	50-100%	>100%		
Donor1					X			
Donor2	X							
Donor3			X					
Donor4			X					
Donor5			X					
Donor6						X		
Donor7						X		
Donor8								

Question 18: Does UJAS imply in the short-run more or fewer other transaction costs to your organisation (e.g. for preparation, coordination, meetings, etc.)?

	Extent of extra transaction costs (%)						Less	Same
	More							
	Without indication	Negligible	5-25%	25-50%	50-100%	>100%		
Donor1				X				
Donor2	X							
Donor3			X					
Donor4			X					
Donor5			X					
Donor6			X					
Donor7			X					
Donor8								

Qu.: What do these **extra transaction costs** mainly consist of?

- *Commenting and drafting UJAS parts;*
- *meetings to discuss with partners;*
- *compiling information we would otherwise not try to extract from our systems in quite the same way so it is very cumbersome for statistics people;*
- *reviewing within Headquarters our established procedures for a country strategy (drafting, coordination of different stakeholders, proposal to management, policy decision about instruments that may possibly be redundant in the future like bilateral government negotiations and agreements, sector strategies, joint missions and reporting etc.....judging from our experience with co-financing projects this will be very high in extra costs!). (Donor3)*

- *Coordination;*
- *Meetings;*
- *Decision-making (Donor2)*

- *More coordination meetings,*
- *Inputs to documents (reviews),*
- *no reduction in any costs so far. (Donor6)*

- *Coordination meetings within the country*
- *Coordination and adjustment of procedures from Headquarters (Donor5)*

- *Consultations with other donors to agree harmonized positions. (Donor7)*

- *Coordination meetings and: see 13; as it was the first of its kind, the transaction costs were very high. (Donor4)*

- *In terms of the drafting process, UJAS made of a mix of partners with a mix of mandates and opinions. It took a lot of time to reach consensus on issues. This might also be the case on some of the implementation issues, e.g. agreeing a donor division of labour. (Donor1)*

Qu.: Any other comments on costs/benefits of UJAS?

- *The extra transaction costs of preparing the UJAS should not be seen as "wasted time". They should be interpreted as the real price of donor harmonization. In addition, the time taken to ensure clarity and iron out divergences of views should make it easier for other development partners who plan to join the UJAS (e.g. EC, Denmark and Ireland) to plug into this pioneering work (Donor2)*

- *There is a risk that new structures will be created (UJAS secretariat...) while the parallel structures remain in place, adding to the transaction costs.*

- *At the same time there is a tendency towards a very protective attitude from the UJAS partners vis-à-vis the UJAS, leaving very little space for (self-) criticism. This might become self-destructive. (Donor6)*
- *UJAS does not really replace all bilateral programming requirements. For bilateral donors engaged in specific sectors the sectoral interventions are too general. Thus on top of the UJAS many bilateral donors have to define more specifically the sector programmes. (Donor5)*
- *In my view, it is crucial that UJAS doesn't become a harmonistaion tool at its own, getting an own life with review, etc. but really fits itself into the Ugandan processes. I see a tendency to de-link the process a bit and to build up an own UJAS-structure. (Donor4)*

Question 19: In your opinion to what extent will the process increase or reduce the government's future transaction costs?

	Extent of saved transaction costs (%)						Less	Same
	More							
	Without indication	Negligible	5-25%	25-50%	50-100%	>100%		
Donor1								
Donor2								
Donor3								
Donor4								X
Donor5							X	
Donor6								
Donor7								
Donor8							X	

	More	Extent of saved transaction costs (%)					Same	Others
		Less						
		Without indication	Negligible	5-25%	25-50%	50-100%		
Donor1					X			
Donor2		X					Not possible to quantify	
Donor3								
Donor4						X		
Donor5			X					
Donor6		X						
Donor7				X (Short time)	X (Long term)			
Donor8								

Question 20: How can current transaction costs in JAS be reduced?

1) For your own organization?

- *Not yet applicable. In the future: by reducing the number of areas that we are involved in and further concentrating funding, although this exercise proves to be extremely difficult, and it takes many years to clear the backlog from the past. (Donor6)*

- *If we knew we would apply them? Having a key person that leads the JAS process could reduce costs and increase efficiency. However, in practice, it has to be handled at high level within bilateral development cooperation / diplomatic missions. (Donor5)*
- *It has not increased the transaction costs because Denmark joined when the UJAS had already been formulated. (Donor7)*
- *In depending as much as possible on Ugandan processes. (Donor4)*
- *A clear, central point identified for managing the UJAS implementation process. (Donor1)*

2) For the Government?

- *The Government has not realized any major transaction costs so far. However, once the UJAS is operationalized, the Government will benefit from dealing with a common assessment framework as laid out in the UJAS.*
- *Real benefits to the Government will materialize in the context of UJAS vis-à-vis sectoral donors. (Donor2)*
- *By creating uniform structures for SWGs with clear guidelines on who is to provide what and how decisions can be made, reducing the time spent on unnecessary negotiations/ clarification seeking for certain aspects of the sector programmes. Sticking more rigorously to the PEAP and to the MTEF would a good first step. (Donor6)*
- *The UJAS will reduce the transaction costs simply by harmonising donor approaches and aligning more consistently with the PEAP. (Donor7)*
- *UJAS is a vehicle by which to approach some of Uganda's major development partners collectively. It formalises the group's commitment to align with the government's PRSP, respond to the Uganda's Partnership Principles, its M&E systems, and channel more assistance directly through government systems. All these things should help reduce transaction costs for GoU. (Donor1)*

Question 21: What main lessons could be drawn from the process so far?

- *The UJAS is a process. The UJAS document is a milestone. Progress will continue to be made in a range of areas during implementation*
- *Producing a joint strategy takes time, often much more than preparing a single agency country assistance strategy. Agencies involved need to allocate sufficient resources to the process. A clear management arrangement needs to be put in place. Key issues include identifying a leader or leaders of the process and clarifying the expectations of partners involved.*
- *Flexibility and innovation, particularly in complying with the guidelines of headquarters, are important. (Donor2)*
- *Be patient and realistic in your targets*
- *Involve all key stakeholders from an early stage*
- *Be self-critical (Donor6)*
- *It is still necessary to define more specifically the sector intervention for bilateral donors (Donor5)*
- *There are challenges for all donors, particularly for AfDB, of ensuring consistency between UJAS principles, and actual behaviour and decision-making at sector/programme level.*
- *Ownership: Compared to other JAS processes, the UJAS has been drafted by the development partners but still within the Partnership Principles (drawn up by the GoU in 2003). In Uganda the GoU has not been interested in actually drafting the UJAS – but has preferred to comment on the document and to take a lead during the assessment of donor’s comparative advantages. This means that ownership does not only apply when a government has drafted a JAS but can also apply when the process takes place within a nationally and nationally owned framework. This type of JAS process might even reduce the transaction costs for the national government involved. (Donor7)*
- *Clearance of expectations of the different partners before starting the process*
- *Availability of resources for the process is a must. (Donor4)*
- *Drafting process needs proper management. It should be led by partners in country. Don’t rush into drafting - spend time to ensure expectations are clear about what everyone wants from the document. Also spend time on developing core bits of analysis, e.g. Zambia and its comparative advantage work*
- *Partners need to ensure their Headquarters are flexible about corporate requirements.*
- *Be realistic about what can be achieved. Ensure a document is grounded in objectives that are deliverable. (Donor1)*

Question 22: In brief, what do you see as the major implications for your own organization of UJAS?

- *The UJAS is our response to the PEAP. Together with the CPIA ratings, the PRSC mechanism and our participation in SWAPs, sector working group and the local donor group meeting, the UJAS serves as a vehicle for an adequate response mechanism to economic and political risks in Uganda.*
- *The UJAS lays the groundwork for developing a common assessment framework for financial disbursements. This is a major step forward in harmonizing assistance and conducting policy dialogue in Uganda.*
- *The UJAS is devising a model for donor behaviour at the sector level, and it commits Uganda's largest multilateral and bilateral donors to generate a better division of labor among the UJAS group over the next four years. (Donor2)*
- *Reduce involvement in number of sectors.*
- *Consider greater share of support through budget support. (Donor6)*
- *Fully adopt joint strategy and align to it, programme specifics will be reduced*
- *Engage in an additional process of coordination. (Donor5)*
- *Fewer areas of intervention.*
- *Further alignment to the PEAP. (Donor7)*
- *UJAS has become the country strategy is now a binding document for us. (Donor5)*
- *We will have a better idea of what our comparative advantage is and be more creative in terms of harmonisation.*
- *Commitment to the UJAS means that we have to ensure our bilateral programme develops in a way that is aligned with the PEAP and the Partnership Principles and focused on results.*
- *We aim to consult more on decision making, although each individual partner still makes its own decisions. (Donor1)*

Question 23: Please specify suggestions for improving the participation of your own organization:

- *Ensure that the World Bank is adequately represented. (this was a statement made by another donor, not the WB itself)*
- *Obtain clear and unambiguous management decision from HQ. (Donor6)*
- *Once participating, reasonably align to joint decision making in strategic issues*

- *Provide backstopping from head office to country office where required (Donor5)*
- *Dedicating more of one staff member to ensure consistent engagement with the process(Donor1)*

Question 24: Please specify key suggestions for improving UJAS and similar processes:

- *The drafting process has been long and uneven, due to the circumstances described before. One could consider hiring an independent consultant to draft the JAS document*
- *Early on, consider donor selectivity and division of labour. (Donor2)*
- *Weigh additional transaction costs against efficiency gains, i.e. take the harmonisation performance criteria very serious and learn from them!*
- *Clearly explain your end-goals, vis-à-vis all stakeholders (Donor6)*
- *Establish UJAS secretariat within local development partnership group*
- *Efforts to increase ownership of national government*
- *More specific definition of sector programmes. (Donor5)*
- *The issue of comparative advantages could have been completed – but on the other hand this allows late-comers to join and participate 100%. (Donor7)*
- *Clearer focus on what is the added value of the paper*
- *Involvement of other actors at an earlier stage (government, civil society, etc.). (Donor4)*

Question 25: if any, please specify suggestions for improving AfDB's participation in UJAS:

- *Decentralize more staff to the field for more active participation in donor/Government/sector events such as sector working groups, joint annual reviews etc.*
- *Be more consultative with your counterparts. Make sure you have brought the sector working groups on board for the projects that you intend to bring to Uganda. Consider the importance of SWAPs. Work in close alignment with the PEAP. (Donor2)*
- *Continue deconcentration to the field level. (Donor6)*
- *Stronger commit to H&A and implement in concrete strategic measures. (Donor5)*
- *Ensure consistency between UJAS level and programme/project level. (Donor7)*

Question 26: In which sectors, if any could you see AfDB taking a major role due to its comparative advantage and Know-how, or even a leadership role?

- *Will await the comparative advantage exercise. This is a question, which depends on many elements – i.e. position of other donors at the time of the exercise. (Donor7)*

The AfDB Program in Uganda¹³

Introduction

1. **Uganda CSP 2002-2004** The strategic objective of the Bank Group's operations during the period July 2003 to June 2005 had been the promotion of rapid economic growth and poverty reduction, against a background of strengthening of good governance to reinforce development effectiveness. The priority areas of intervention were: (i) agriculture and rural development; (ii) transport; and (iii) capacity building. There now is an urgent need, in this new operations period, to embark on more resolute efforts at stimulating exports, increasing fiscal revenues, and reining-in non-priority expenditures, especially military spending. These macroeconomic goals will need to be underpinned by sectoral policy-reforms and structural-adjustment programmes, as well as stand-alone investment projects. One major innovation during the present planning period is that the operations strategy is a joint one, committing the Bank to a common development financing framework with several other development partners.

Prospective Bank Group Strategy

2. The Bank Group strategy during the period 2005-7 will have a mainly public investment dimension partly supplemented by a moderately ambitious private sector dimension. Under the base case scenario, the lending amount will be UA 115 million and grants UA 90 million¹⁴. The public sector strategy articulates a mix of lending and grant financed operations, focused on two of the five 'pillars' of the PEAP. It deploys the three instruments of budget support, physical projects investments, and analytical studies in terms of Economic and Sector Work (ESW). The main elements of this strategy have been discussed in detail with the other UJAS partners and common agreement reached on the focus, the timing, and the methodology for harmonization of delivery of development support and monitoring of targets/triggers/outcomes.

Specifics of the selected Bank Group operations

3. The operations focus of the ADB-specific strategy are the two PEAP pillars of "Enhancing Production, Competitiveness and Incomes" (Pillar 2) and "Human Development" (Pillar 5). These two clusters of operations are based on pro-poor growth and poverty reduction. The choice of pillars has been guided by the comparative advantage acquired by the Bank.

4. **PEAP Pillar 2 – Production, Competitiveness and Incomes.** The strategy proposes channeling nearly 55% of resources to finance investments in the area of the enhancement of production, competitiveness and incomes under pillar 2 of the PEAP. The operations envisaged are: agricultural modernisation/provision of extension

¹³ Based on Cover Note for UJAS memo to the AfDB Board

¹⁴ Based on a 2004 Country Policy and Institutional (CPIA) rating for Uganda which puts it in the first quintile, Uganda stands to benefit from an indicative basic mix of loan and grant resources under ADF X amounting to UA 205.5 million, of which UA113.9 million loans and UA 91.6 million grants.

services/agricultural marketing, road transport infrastructure construction and upgrading, power generation and civil service reform. In view of the relatively strong support provided to the agriculture sector during the last operations period, the weight accorded to agricultural sector operations is modest but does justice to the centrality of agriculture to Uganda's production structure, its contribution to growth, and its importance to self-employment and employment creation.

5. The stimulus to agriculture will need to be complemented by the feeder road infrastructure to bring the produce to markets and to link up with the national road network. The Bank will contribute towards meeting this need by supporting one road transport project that will be large enough to accommodate both feeder road construction and national road upgrading components.

6. Third, with the brisk recent growth of the industrial sector, frequent power failures have been experienced which point to the urgency of implementing a power generation project. The operation to be financed in power generation will complement other initiatives in the area to be supported by other development partners. The transport and power projects will be financed on pure loan terms, the agriculture project on a mix of loan and grant financing, and the civil service reform on pure loan terms.

7. **Private Sector Operations** The Bank's private sector unit sees opportunities for large-scale private investors to participate in the investment activities required in the power generation and distribution sector, while attractive opportunities seem to be emerging in the food processing sector.

8. **PEAP Pillar 5 – Human Resource Development:** The remaining 45% of resources will go towards financing operations in support of the development of human resources both as an end in itself and as means to ease the severe capacity constraint facing Uganda. The operations envisaged are: a post-primary education project, a primary healthcare reinforcement project, and a Water and Sanitation project. These operations will be fully grant-based.

9. **Non-lending Operations:** The Bank Group intends to carry out three studies under its Economic and Sector Work programme as background analyses to underpin its sector-wide operations. These will be in addition to a gender Profile for Uganda that has recently been completed.

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